



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB1390

Introduced 2/13/2019, by Sen. Pat McGuire

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 110/3-70	
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/9	from Ch. 120, par. 439.109
35 ILCS 120/2-5	
35 ILCS 120/2-45	from Ch. 120, par. 441-45
35 ILCS 120/3	from Ch. 120, par. 442

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that the manufacturing and assembling machinery and equipment exemption includes production related tangible personal property. Provides that a Manufacturer's Purchase Credit may not be taken on or after July 1, 2019. Effective immediately.

LRB101 07229 HLH 52267 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 10. 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 July 1, 2001 (the
7 effective date of Public Act 92-35), however, an entity
8 otherwise eligible for this exemption shall not make tax-free
9 purchases unless it has an active identification number issued
10 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 July 1, 2017, graphic arts
12 machinery and equipment is included in the manufacturing and
13 assembling machinery and equipment exemption under paragraph
14 (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) Until July 1, 2023, coal and aggregate exploration,
23 mining, off-highway hauling, processing, maintenance, and
24 reclamation equipment, including replacement parts and
25 equipment, and including equipment purchased for lease, but
26 excluding motor vehicles required to be registered under the

1 Illinois Vehicle Code. The changes made to this Section by
2 Public Act 97-767 apply on and after July 1, 2003, but no claim
3 for credit or refund is allowed on or after August 16, 2013
4 (the effective date of Public Act 98-456) for such taxes paid
5 during the period beginning July 1, 2003 and ending on August
6 16, 2013 (the 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 July 1, 2017,
7 the exemption provided by this paragraph (18) includes, but is
8 not limited to, graphic arts machinery and equipment, as
9 defined in paragraph (6) of this Section. Beginning on July 1,
10 2019, the exemption provided by this paragraph (18) includes,
11 but is not limited to, production related tangible personal
12 property, as defined in Section 3-50.

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

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

20 (21) Horses, or interests in horses, registered with and
21 meeting the requirements of any of the Arabian Horse Club
22 Registry of America, Appaloosa Horse Club, American Quarter
23 Horse Association, United States Trotting Association, or
24 Jockey Club, as appropriate, used for purposes of breeding or
25 racing for prizes. This item (21) is exempt from the provisions
26 of Section 3-90, and the exemption provided for under this item

1 (21) applies for all periods beginning May 30, 1995, but no
2 claim for credit or refund is allowed on or after January 1,
3 2008 for such taxes paid during the period beginning May 30,
4 2000 and ending on January 1, 2008.

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

1 Department.

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

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

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

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

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

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

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

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

1 exempt from the provisions of Section 3-90.

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

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

25 (31) Beginning on August 2, 2001 (the effective date of
26 Public Act 92-227), computers and communications equipment

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

24 (32) Beginning on August 2, 2001 (the effective date of
25 Public Act 92-227), personal property purchased by a lessor who
26 leases the property, under a lease of one year or longer

1 executed or in effect at the time the lessor would otherwise be
2 subject to the tax imposed by this Act, to a governmental body
3 that has been issued an active sales tax exemption
4 identification number by the Department under Section 1g of the
5 Retailers' Occupation Tax Act. If the property is leased in a
6 manner that does not qualify for this exemption or used in any
7 other nonexempt manner, the lessor shall be liable for the tax
8 imposed under this Act or the Service Use Tax Act, as the case
9 may be, based on the fair market value of the property at the
10 time the nonqualifying use occurs. No lessor shall collect or
11 attempt to collect an amount (however designated) that purports
12 to reimburse that lessor for the tax imposed by this Act or the
13 Service Use Tax Act, as the case may be, if the tax has not been
14 paid by the lessor. If a lessor improperly collects any such
15 amount from the lessee, the lessee shall have a legal right to
16 claim a refund of that amount from the lessor. If, however,
17 that amount is not refunded to the lessee for any reason, the
18 lessor is liable to pay that amount to the Department. This
19 paragraph is exempt 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 (38) Merchandise that is subject to the Rental Purchase
12 Agreement Occupation and Use Tax. The purchaser must certify
13 that the item is purchased to be rented subject to a rental
14 purchase agreement, as defined in the Rental Purchase Agreement
15 Act, and provide proof of registration under the Rental
16 Purchase Agreement Occupation and Use Tax Act. This paragraph
17 is exempt from the provisions of Section 3-90.

18 (39) Tangible personal property purchased by a purchaser
19 who is exempt from the tax imposed by this Act by operation of
20 federal law. This paragraph is exempt from the provisions of
21 Section 3-90.

22 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;
23 100-22, eff. 7-6-17; 100-437, eff. 1-1-18; 100-594, eff.
24 6-29-18; 100-863, eff. 8-14-18; 100-1171, eff. 1-4-19; revised
25 1-8-19.)

1 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

2 Sec. 3-50. Manufacturing and assembly exemption. The
3 manufacturing and assembling machinery and equipment exemption
4 includes machinery and equipment that replaces machinery and
5 equipment in an existing manufacturing facility as well as
6 machinery and equipment that are for use in an expanded or new
7 manufacturing facility. The machinery and equipment exemption
8 also includes machinery and equipment used in the general
9 maintenance or repair of exempt machinery and equipment or for
10 in-house manufacture of exempt machinery and equipment.
11 Beginning on July 1, 2017, the manufacturing and assembling
12 machinery and equipment exemption also includes graphic arts
13 machinery and equipment, as defined in paragraph (6) of Section
14 3-5. Beginning on July 1, 2019, the manufacturing and
15 assembling machinery and equipment exemption also includes
16 production related tangible personal property, as defined in
17 this Section. The machinery and equipment exemption does not
18 include machinery and equipment used in (i) the generation of
19 electricity for wholesale or retail sale; (ii) the generation
20 or treatment of natural or artificial gas for wholesale or
21 retail sale that is delivered to customers through pipes,
22 pipelines, or mains; or (iii) the treatment of water for
23 wholesale or retail sale that is delivered to customers through
24 pipes, pipelines, or mains. The provisions of this amendatory
25 Act of the 98th General Assembly are declaratory of existing
26 law as to the meaning and scope of this exemption. For the

1 purposes of this exemption, terms have the following meanings:

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

19 (2) "Assembling process" means the production of an
20 article of tangible personal property, whether the article
21 is a finished product or an article for use in the process
22 of manufacturing or assembling a different article of
23 tangible personal property, by the combination of existing
24 materials in a manner commonly regarded as assembling that
25 results in an article or material of a different form, use,
26 or name.

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

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

19 (5) "Production related tangible personal property"
20 means all tangible personal property that is used or
21 consumed by the purchaser in a manufacturing facility in
22 which a manufacturing process described in Section 2-45 of
23 the Retailers' Occupation Tax Act takes place, including
24 ~~and includes, without limitation,~~ tangible personal
25 property that is purchased for incorporation into real
26 estate within a manufacturing facility and including, but

1 not limited to, tangible personal property that is used or
2 consumed in activities such as ~~research and development,~~
3 preproduction material handling, receiving, quality
4 control, inventory control, storage, staging, and
5 packaging for shipping and transportation purposes.
6 Tangible personal property used or consumed by the
7 purchaser for research and development is considered
8 "production related tangible personal property" regardless
9 of use within or without a manufacturing facility.

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

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

24 ~~(1) The maximum amount of the exemption for any one~~
25 ~~taxpayer may not exceed 5% of the purchase price of~~
26 ~~production related tangible personal property that is~~

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

6 ~~(2) The maximum aggregate amount of the exemptions for~~
7 ~~production related tangible personal property awarded~~
8 ~~under this Act and the Retailers' Occupation Tax Act to all~~
9 ~~taxpayers may not exceed \$10,000,000. If the claims for the~~
10 ~~exemption exceed \$10,000,000, then the Department shall~~
11 ~~reduce the amount of the exemption to each taxpayer on a~~
12 ~~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 This exemption includes the sale of exempted types of machinery
25 or equipment to a purchaser who is not the manufacturer, but
26 who rents or leases the use of the property to a manufacturer.

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

22 The manufacturing and assembling machinery and equipment
23 exemption is exempt from the provisions of Section 3-90.

24 (Source: P.A. 100-22, eff. 7-6-17.)

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

24 The amount of credit shall be a percentage of the tax that
25 would have been incurred on the purchase of manufacturing
26 machinery and equipment or graphic arts machinery and equipment

1 if the exemptions provided by paragraph (6) or paragraph (18)
2 of Section 3-5 of this Act had not been applicable. The
3 percentage shall be as follows:

4 (1) 15% for purchases made on or before June 30, 1995.

5 (2) 25% for purchases made after June 30, 1995, and on
6 or before June 30, 1996.

7 (3) 40% for purchases made after June 30, 1996, and on
8 or before June 30, 1997.

9 (4) 50% for purchases made on or after July 1, 1997.

10 (a) Manufacturer's Purchase Credit earned prior to July 1,
11 2003. This subsection (a) applies to Manufacturer's Purchase
12 Credit earned prior to July 1, 2003. A purchaser of production
13 related tangible personal property desiring to use the
14 Manufacturer's Purchase Credit shall certify to the seller
15 prior to October 1, 2003 that the purchaser is satisfying all
16 or part of the liability under the Use Tax Act or the Service
17 Use Tax Act that is due on the purchase of the production
18 related tangible personal property by use of Manufacturer's
19 Purchase Credit. The Manufacturer's Purchase Credit
20 certification must be dated and shall include the name and
21 address of the purchaser, the purchaser's registration number,
22 if registered, the credit being applied, and a statement that
23 the State Use Tax or Service Use Tax liability is being
24 satisfied with the manufacturer's or graphic arts producer's
25 accumulated purchase credit. Certification may be incorporated
26 into the manufacturer's or graphic arts producer's purchase

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

1 or resale number, and a statement that a specific amount of the
2 Use Tax or Service Use Tax liability, not to exceed 6.25% of
3 the selling price, is being satisfied with the credit. The
4 manufacturer or graphic arts producer shall remain liable to
5 timely report all information required by the annual Report of
6 Manufacturer's Purchase Credit Used for all credit utilized by
7 a construction contractor.

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

1 control, inventory control, storage, staging, and packaging
2 for shipping and transportation purposes; (ii) all tangible
3 personal property used or consumed by the purchaser in a
4 graphic arts facility in which graphic arts production as
5 described in Section 2-30 of the Retailers' Occupation Tax Act
6 takes place, including tangible personal property purchased
7 for incorporation into real estate within a graphic arts
8 facility and including, but not limited to, all tangible
9 personal property used or consumed in activities such as
10 graphic arts preliminary or pre-press production,
11 pre-production material handling, receiving, quality control,
12 inventory control, storage, staging, sorting, labeling,
13 mailing, tying, wrapping, and packaging; and (iii) all tangible
14 personal property used or consumed by the purchaser for
15 research and development. "Production related tangible
16 personal property" does not include (i) tangible personal
17 property used, within or without a manufacturing facility, in
18 sales, purchasing, accounting, fiscal management, marketing,
19 personnel recruitment or selection, or landscaping or (ii)
20 tangible personal property required to be titled or registered
21 with a department, agency, or unit of federal, state, or local
22 government. The Manufacturer's Purchase Credit may be used,
23 prior to October 1, 2003, to satisfy the tax arising either
24 from the purchase of machinery and equipment on or after
25 January 1, 1995 for which the exemption provided by paragraph
26 (18) of Section 3-5 of this Act was erroneously claimed, or the

1 purchase of machinery and equipment on or after July 1, 1996
2 for which the exemption provided by paragraph (6) of Section
3 3-5 of this Act was erroneously claimed, but not in
4 satisfaction of penalty, if any, and interest for failure to
5 pay the tax when due. A purchaser of production related
6 tangible personal property who is required to pay Illinois Use
7 Tax or Service Use Tax on the purchase directly to the
8 Department may, prior to October 1, 2003, utilize the
9 Manufacturer's Purchase Credit in satisfaction of the tax
10 arising from that purchase, but not in satisfaction of penalty
11 and interest. A purchaser who uses the Manufacturer's Purchase
12 Credit to purchase property which is later determined not to be
13 production related tangible personal property may be liable for
14 tax, penalty, and interest on the purchase of that property as
15 of the date of purchase but shall be entitled to use the
16 disallowed Manufacturer's Purchase Credit, so long as it has
17 not expired and is used prior to October 1, 2003, on qualifying
18 purchases of production related tangible personal property not
19 previously subject to credit usage. The Manufacturer's
20 Purchase Credit earned by a manufacturer or graphic arts
21 producer expires the last day of the second calendar year
22 following the calendar year in which the credit arose. No
23 Manufacturer's Purchase Credit may be used after September 30,
24 2003 regardless of when that credit was earned.

25 A purchaser earning Manufacturer's Purchase Credit shall
26 sign and file an annual Report of Manufacturer's Purchase

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

21 A purchaser using Manufacturer's Purchase Credit shall
22 sign and file an annual Report of Manufacturer's Purchase
23 Credit Used for each calendar year no later than the last day
24 of the sixth month following the calendar year in which a
25 Manufacturer's Purchase Credit is used. A Report of
26 Manufacturer's Purchase Credit Used shall be filed on forms as

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

16 No annual report shall be filed before May 1, 1996 or after
17 June 30, 2004. A purchaser that fails to file an annual Report
18 of Manufacturer's Purchase Credit Earned or an annual Report of
19 Manufacturer's Purchase Credit Used by the last day of the
20 sixth month following the end of the calendar year shall
21 forfeit all Manufacturer's Purchase Credit for that calendar
22 year unless it establishes that its failure to file was due to
23 reasonable cause. Manufacturer's Purchase Credit reports may
24 be amended to report and claim credit on qualifying purchases
25 not previously reported at any time before the credit would
26 have expired, unless both the Department and the purchaser have

1 agreed to an extension of the statute of limitations for the
2 issuance of a notice of tax liability as provided in Section 4
3 of the Retailers' Occupation Tax Act. If the time for
4 assessment or refund has been extended, then amended reports
5 for a calendar year may be filed at any time prior to the date
6 to which the statute of limitations for the calendar year or
7 portion thereof has been extended. No Manufacturer's Purchase
8 Credit report filed with the Department for periods prior to
9 January 1, 1995 shall be approved. Manufacturer's Purchase
10 Credit claimed on an amended report may be used, until October
11 1, 2003, to satisfy tax liability under the Use Tax Act or the
12 Service Use Tax Act (i) on qualifying purchases of production
13 related tangible personal property made after the date the
14 amended report is filed or (ii) assessed by the Department on
15 qualifying purchases of production related tangible personal
16 property made in the case of manufacturers on or after January
17 1, 1995, or in the case of graphic arts producers on or after
18 July 1, 1996.

19 If the purchaser is not the manufacturer or a graphic arts
20 producer, but rents or leases the use of the property to a
21 manufacturer or graphic arts producer, the purchaser may earn,
22 report, and use Manufacturer's Purchase Credit in the same
23 manner as a manufacturer or graphic arts producer.

24 A purchaser shall not be entitled to any Manufacturer's
25 Purchase Credit for a purchase that is required to be reported
26 and is not timely reported as provided in this Section. A

1 purchaser remains liable for (i) any tax that was satisfied by
2 use of a Manufacturer's Purchase Credit, as of the date of
3 purchase, if that use is not timely reported as required in
4 this Section and (ii) for any applicable penalties and interest
5 for failing to pay the tax when due. No Manufacturer's Purchase
6 Credit may be used after September 30, 2003 to satisfy any tax
7 liability imposed under this Act, including any audit
8 liability.

9 (b) Manufacturer's Purchase Credit earned on and after
10 September 1, 2004 and through June 30, 2019. This subsection
11 (b) applies to Manufacturer's Purchase Credit earned on and
12 after September 1, 2004 and through June 30, 2019. No
13 Manufacturer's Purchase Credit may be used after July 1, 2019
14 to satisfy any tax liability incurred on purchases of
15 production related tangible personal property made on or before
16 July 1, 2019 or to satisfy any audit liability established on
17 or after July 1, 2019. Manufacturer's Purchase Credit earned on
18 or after September 1, 2004 may only be used to satisfy the Use
19 Tax or Service Use Tax liability incurred on production related
20 tangible personal property purchased on or after September 1,
21 2004. A purchaser of production related tangible personal
22 property desiring to use the Manufacturer's Purchase Credit
23 shall certify to the seller that the purchaser is satisfying
24 all or part of the liability under the Use Tax Act or the
25 Service Use Tax Act that is due on the purchase of the
26 production related tangible personal property by use of

1 Manufacturer's Purchase Credit. The Manufacturer's Purchase
2 Credit certification must be dated and shall include the name
3 and address of the purchaser, the purchaser's registration
4 number, if registered, the credit being applied, and a
5 statement that the State Use Tax or Service Use Tax liability
6 is being satisfied with the manufacturer's or graphic arts
7 producer's accumulated purchase credit. Certification may be
8 incorporated into the manufacturer's or graphic arts
9 producer's purchase order. Manufacturer's Purchase Credit
10 certification provided by the manufacturer or graphic arts
11 producer 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. The
17 Manufacturer's Purchase Credit earned by purchase of exempt
18 manufacturing machinery and equipment or graphic arts
19 machinery and equipment is a non-transferable credit. A
20 manufacturer or graphic arts producer that enters into a
21 contract involving the installation of tangible personal
22 property into real estate within a manufacturing or graphic
23 arts production facility may, on or after September 1, 2004,
24 authorize a construction contractor to utilize credit
25 accumulated by the manufacturer or graphic arts producer to
26 purchase the tangible personal property. A manufacturer or

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

13 The Manufacturer's Purchase Credit may be used to satisfy
14 liability under the Use Tax Act or the Service Use Tax Act due
15 on the purchase, made on or after September 1, 2004, of
16 production related tangible personal property (including
17 purchases by a manufacturer, by a graphic arts producer, or by
18 a lessor who rents or leases the use of the property to a
19 manufacturer or graphic arts producer) that does not otherwise
20 qualify for the manufacturing machinery and equipment
21 exemption or the graphic arts machinery and equipment
22 exemption. "Production related tangible personal property"
23 means (i) all tangible personal property used or consumed by
24 the purchaser in a manufacturing facility in which a
25 manufacturing process described in Section 2-45 of the
26 Retailers' Occupation Tax Act takes place, including tangible

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

1 satisfy the tax arising either from the purchase of machinery
2 and equipment on or after September 1, 2004 for which the
3 exemption provided by paragraph (18) of Section 3-5 of this Act
4 was erroneously claimed, or the purchase of machinery and
5 equipment on or after September 1, 2004 for which the exemption
6 provided by paragraph (6) of Section 3-5 of this Act was
7 erroneously claimed, but not in satisfaction of penalty, if
8 any, and interest for failure to pay the tax when due. A
9 purchaser of production related tangible personal property
10 that is purchased on or after September 1, 2004 who is required
11 to pay Illinois Use Tax or Service Use Tax on the purchase
12 directly to the Department may utilize the Manufacturer's
13 Purchase Credit in satisfaction of the tax arising from that
14 purchase, but not in satisfaction of penalty and interest. A
15 purchaser who uses the Manufacturer's Purchase Credit to
16 purchase property on and after September 1, 2004 which is later
17 determined not to be production related tangible personal
18 property may be liable for tax, penalty, and interest on the
19 purchase of that property as of the date of purchase but shall
20 be entitled to use the disallowed Manufacturer's Purchase
21 Credit, so long as it has not expired and is used on qualifying
22 purchases of production related tangible personal property not
23 previously subject to credit usage. The Manufacturer's
24 Purchase Credit earned by a manufacturer or graphic arts
25 producer expires the last day of the second calendar year
26 following the calendar year in which the credit arose. A

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

1 used. A Report of Manufacturer's Purchase Credit Used shall be
2 filed on forms as prescribed or approved by the Department and
3 shall state, for each month of the calendar year: (i) the total
4 purchase price of production related tangible personal
5 property purchased from Illinois suppliers; (ii) the total
6 purchase price of production related tangible personal
7 property purchased from out-of-state suppliers; (iii) the
8 total amount of credit used during such month; and (iv) such
9 other information as the Department may reasonably require. A
10 purchaser using Manufacturer's Purchase Credit shall maintain
11 records that identify, as to each purchase of production
12 related tangible personal property on which the purchaser used
13 Manufacturer's Purchase Credit, the vendor (including, if
14 applicable, either the vendor's registration number or Federal
15 Employer Identification Number), the purchase price, and the
16 amount of Manufacturer's Purchase Credit used on each purchase.

17 A purchaser that fails to file an annual Report of
18 Manufacturer's Purchase Credit Earned or an annual Report of
19 Manufacturer's Purchase Credit Used by the last day of the
20 sixth month following the end of the calendar year shall
21 forfeit all Manufacturer's Purchase Credit for that calendar
22 year unless it establishes that its failure to file was due to
23 reasonable cause. Manufacturer's Purchase Credit reports may
24 be amended to report and claim credit on qualifying purchases
25 not previously reported at any time before the credit would
26 have expired, unless both the Department and the purchaser have

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

1 when due.

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

3 Section 15. The Service Use Tax Act is amended by changing
4 Sections 2 and 3-70 as follows:

5 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

6 Sec. 2. Definitions. In this Act:

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

20 "Purchased from a serviceman" means the acquisition of the
21 ownership of, or title to, tangible personal property through a
22 sale of service.

23 "Purchaser" means any person who, through a sale of
24 service, acquires the ownership of, or title to, any tangible

1 personal property.

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

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

24 "Department" means the Department of Revenue.

25 "Person" means any natural individual, firm, partnership,
26 association, joint stock company, joint venture, public or

1 private corporation, limited liability company, and any
2 receiver, executor, trustee, guardian or other representative
3 appointed by order of any court.

4 "Sale of service" means any transaction except:

5 (1) a retail sale of tangible personal property taxable
6 under the Retailers' Occupation Tax Act or under the Use
7 Tax Act.

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

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

25 (4) (blank).

26 (4a) a sale or transfer of tangible personal property

1 as an incident to the rendering of service for owners,
2 lessors, or shippers of tangible personal property which is
3 utilized by interstate carriers for hire for use as rolling
4 stock moving in interstate commerce so long as so used by
5 interstate carriers for hire, and equipment operated by a
6 telecommunications provider, licensed as a common carrier
7 by the Federal Communications Commission, which is
8 permanently installed in or affixed to aircraft moving in
9 interstate commerce.

10 (4a-5) on and after July 1, 2003 and through June 30,
11 2004, a sale or transfer of a motor vehicle of the second
12 division with a gross vehicle weight in excess of 8,000
13 pounds as an incident to the rendering of service if that
14 motor vehicle is subject to the commercial distribution fee
15 imposed under Section 3-815.1 of the Illinois Vehicle Code.
16 Beginning on July 1, 2004 and through June 30, 2005, the
17 use in this State of motor vehicles of the second division:
18 (i) with a gross vehicle weight rating in excess of 8,000
19 pounds; (ii) that are subject to the commercial
20 distribution fee imposed under Section 3-815.1 of the
21 Illinois Vehicle Code; and (iii) that are primarily used
22 for commercial purposes. Through June 30, 2005, this
23 exemption applies to repair and replacement parts added
24 after the initial purchase of such a motor vehicle if that
25 motor vehicle is used in a manner that would qualify for
26 the rolling stock exemption otherwise provided for in this

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

5 (5) a sale or transfer of machinery and equipment used
6 primarily in the process of the manufacturing or
7 assembling, either in an existing, an expanded or a new
8 manufacturing facility, of tangible personal property for
9 wholesale or retail sale or lease, whether such sale or
10 lease is made directly by the manufacturer or by some other
11 person, whether the materials used in the process are owned
12 by the manufacturer or some other person, or whether such
13 sale or lease is made apart from or as an incident to the
14 seller's engaging in a service occupation and the
15 applicable tax is a Service Use Tax or Service Occupation
16 Tax, rather than Use Tax or Retailers' Occupation Tax. The
17 exemption provided by this paragraph (5) does not include
18 machinery and equipment used in (i) the generation of
19 electricity for wholesale or retail sale; (ii) the
20 generation or treatment of natural or artificial gas for
21 wholesale or retail sale that is delivered to customers
22 through pipes, pipelines, or mains; or (iii) the treatment
23 of water for wholesale or retail sale that is delivered to
24 customers through pipes, pipelines, or mains. The
25 provisions of Public Act 98-583 are declaratory of existing
26 law as to the meaning and scope of this exemption. The

1 exemption under this paragraph (5) is exempt from the
2 provisions of Section 3-75.

3 (5a) the repairing, reconditioning or remodeling, for
4 a common carrier by rail, of tangible personal property
5 which belongs to such carrier for hire, and as to which
6 such carrier receives the physical possession of the
7 repaired, reconditioned or remodeled item of tangible
8 personal property in Illinois, and which such carrier
9 transports, or shares with another common carrier in the
10 transportation of such property, out of Illinois on a
11 standard uniform bill of lading showing the person who
12 repaired, reconditioned or remodeled the property to a
13 destination outside Illinois, for use outside Illinois.

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

26 (6) until July 1, 2003, a sale or transfer of

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

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

1 and (ii) certifies that fact in writing to the primary
2 serviceman.

3 Tangible personal property transferred incident to the
4 completion of a maintenance agreement is exempt from the tax
5 imposed pursuant to this Act.

6 Exemption (5) also includes machinery and equipment used in
7 the general maintenance or repair of such exempt machinery and
8 equipment or for in-house manufacture of exempt machinery and
9 equipment. On and after July 1, 2017, exemption (5) also
10 includes graphic arts machinery and equipment, as defined in
11 paragraph (5) of Section 3-5. On and after July 1, 2019,
12 exemption (5) also includes production related tangible
13 personal property, as defined in this Section. The machinery
14 and equipment exemption does not include machinery and
15 equipment used in (i) the generation of electricity for
16 wholesale or retail sale; (ii) the generation or treatment of
17 natural or artificial gas for wholesale or retail sale that is
18 delivered to customers through pipes, pipelines, or mains; or
19 (iii) the treatment of water for wholesale or retail sale that
20 is delivered to customers through pipes, pipelines, or mains.
21 The provisions of Public Act 98-583 are declaratory of existing
22 law as to the meaning and scope of this exemption. For the
23 purposes of exemption (5), each of these terms shall have the
24 following meanings: (1) "manufacturing process" shall mean the
25 production of any article of tangible personal property,
26 whether such article is a finished product or an article for

1 use in the process of manufacturing or assembling a different
2 article of tangible personal property, by procedures commonly
3 regarded as manufacturing, processing, fabricating, or
4 refining which changes some existing material or materials into
5 a material with a different form, use or name. In relation to a
6 recognized integrated business composed of a series of
7 operations which collectively constitute manufacturing, or
8 individually constitute manufacturing operations, the
9 manufacturing process shall be deemed to commence with the
10 first operation or stage of production in the series, and shall
11 not be deemed to end until the completion of the final product
12 in the last operation or stage of production in the series; and
13 further, for purposes of exemption (5), photoprocessing is
14 deemed to be a manufacturing process of tangible personal
15 property for wholesale or retail sale; (2) "assembling process"
16 shall mean the production of any article of tangible personal
17 property, whether such article is a finished product or an
18 article for use in the process of manufacturing or assembling a
19 different article of tangible personal property, by the
20 combination of existing materials in a manner commonly regarded
21 as assembling which results in a material of a different form,
22 use or name; (3) "machinery" shall mean major mechanical
23 machines or major components of such machines contributing to a
24 manufacturing or assembling process; and (4) "equipment" shall
25 include any independent device or tool separate from any
26 machinery but essential to an integrated manufacturing or

1 assembly process; including computers used primarily in a
2 manufacturer's computer assisted design, computer assisted
3 manufacturing (CAD/CAM) system; or any subunit or assembly
4 comprising a component of any machinery or auxiliary, adjunct
5 or attachment parts of machinery, such as tools, dies, jigs,
6 fixtures, patterns and molds; or any parts which require
7 periodic replacement in the course of normal operation; but
8 shall not include hand tools; "equipment" ~~Equipment~~ includes
9 chemicals or chemicals acting as catalysts but only if the
10 chemicals or chemicals acting as catalysts effect a direct and
11 immediate change upon a product being manufactured or assembled
12 for wholesale or retail sale or lease; and (5) "production
13 related tangible personal property" means all tangible
14 personal property that is used or consumed by the purchaser in
15 a manufacturing facility in which a manufacturing process
16 described in Section 2-45 of the Retailers' Occupation Tax Act
17 takes place, including tangible personal property that is
18 purchased for incorporation into real estate within a
19 manufacturing facility, and including, but not limited to,
20 tangible personal property that is used or consumed in
21 activities such as preproduction material handling, receiving,
22 quality control, inventory control, storage, staging,
23 packaging for shipping and transportation purposes, and all
24 tangible personal property used or consumed by the purchaser
25 for research and development; "production related tangible
26 personal property" does not include (i) tangible personal

1 property that is used, within or without a manufacturing
2 facility, in sales, purchasing, accounting, fiscal management,
3 marketing, personnel recruitment or selection, or landscaping,
4 or (ii) tangible personal property that is required to be
5 titled or registered with a department, agency, or unit of
6 federal, State, or local government. The purchaser of such
7 machinery and equipment who has an active resale registration
8 number shall furnish such number to the seller at the time of
9 purchase. The user of such machinery and equipment and tools
10 without an active resale registration number shall prepare a
11 certificate of exemption for each transaction stating facts
12 establishing the exemption for that transaction, which
13 certificate shall be available to the Department for inspection
14 or audit. The Department shall prescribe the form of the
15 certificate.

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

1 policy as a rule in accordance with the provisions of the
2 Illinois Administrative Procedure Act.

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

7 The purchase, employment and transfer of such tangible
8 personal property as newsprint and ink for the primary purpose
9 of conveying news (with or without other information) is not a
10 purchase, use or sale of service or of tangible personal
11 property within the meaning of this Act.

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

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

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

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

21 (1) having or maintaining within this State, directly
22 or by a subsidiary, an office, distribution house, sales
23 house, warehouse or other place of business, or any agent
24 or other representative operating within this State under
25 the authority of the serviceman or its subsidiary,
26 irrespective of whether such place of business or agent or

1 other representative is located here permanently or
2 temporarily, or whether such serviceman or subsidiary is
3 licensed to do business in this State;

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

1 referrals or other activities pursued within this State by
2 such persons were not sufficient to meet the nexus
3 standards of the United States Constitution during the
4 preceding 4 quarterly periods;

5 (1.2) beginning July 1, 2011, having a contract with a
6 person located in this State under which:

7 (A) the serviceman sells the same or substantially
8 similar line of services as the person located in this
9 State and does so using an identical or substantially
10 similar name, trade name, or trademark as the person
11 located in this State; and

12 (B) the serviceman provides a commission or other
13 consideration to the person located in this State based
14 upon the sale of services by the serviceman.

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

21 (2) soliciting orders for tangible personal property
22 by means of a telecommunication or television shopping
23 system (which utilizes toll free numbers) which is intended
24 by the retailer to be broadcast by cable television or
25 other means of broadcasting, to consumers located in this
26 State;

1 (3) pursuant to a contract with a broadcaster or
2 publisher located in this State, soliciting orders for
3 tangible personal property by means of advertising which is
4 disseminated primarily to consumers located in this State
5 and only secondarily to bordering jurisdictions;

6 (4) soliciting orders for tangible personal property
7 by mail if the solicitations are substantial and recurring
8 and if the retailer benefits from any banking, financing,
9 debt collection, telecommunication, or marketing
10 activities occurring in this State or benefits from the
11 location in this State of authorized installation,
12 servicing, or repair facilities;

13 (5) being owned or controlled by the same interests
14 which own or control any retailer engaging in business in
15 the same or similar line of business in this State;

16 (6) having a franchisee or licensee operating under its
17 trade name if the franchisee or licensee is required to
18 collect the tax under this Section;

19 (7) pursuant to a contract with a cable television
20 operator located in this State, soliciting orders for
21 tangible personal property by means of advertising which is
22 transmitted or distributed over a cable television system
23 in this State;

24 (8) engaging in activities in Illinois, which
25 activities in the state in which the supply business
26 engaging in such activities is located would constitute

1 maintaining a place of business in that state; or

2 (9) beginning October 1, 2018, making sales of service
3 to purchasers in Illinois from outside of Illinois if:

4 (A) the cumulative gross receipts from sales of
5 service to purchasers in Illinois are \$100,000 or more;
6 or

7 (B) the serviceman enters into 200 or more separate
8 transactions for sales of service to purchasers in
9 Illinois.

10 The serviceman shall determine on a quarterly basis,
11 ending on the last day of March, June, September, and
12 December, whether he or she meets the criteria of either
13 subparagraph (A) or (B) of this paragraph (9) for the
14 preceding 12-month period. If the serviceman meets the
15 criteria of either subparagraph (A) or (B) for a 12-month
16 period, he or she is considered a serviceman maintaining a
17 place of business in this State and is required to collect
18 and remit the tax imposed under this Act and file returns
19 for one year. At the end of that one-year period, the
20 serviceman shall determine whether the serviceman met the
21 criteria of either subparagraph (A) or (B) during the
22 preceding 12-month period. If the serviceman met the
23 criteria in either subparagraph (A) or (B) for the
24 preceding 12-month period, he or she is considered a
25 serviceman maintaining a place of business in this State
26 and is required to collect and remit the tax imposed under

1 this Act and file returns for the subsequent year. If at
2 the end of a one-year period a serviceman that was required
3 to collect and remit the tax imposed under this Act
4 determines that he or she did not meet the criteria in
5 either subparagraph (A) or (B) during the preceding
6 12-month period, the serviceman subsequently shall
7 determine on a quarterly basis, ending on the last day of
8 March, June, September, and December, whether he or she
9 meets the criteria of either subparagraph (A) or (B) for
10 the preceding 12-month period.

11 (Source: P.A. 100-22, eff. 7-6-17; 100-321, eff. 8-24-17;
12 100-587, eff. 6-4-18; 100-863, eff. 8-14-18.)

13 (35 ILCS 110/3-70)

14 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
15 of machinery and equipment made on and after January 1, 1995
16 and through June 30, 2003, and on and after September 1, 2004
17 through August 30, 2014, a purchaser of manufacturing machinery
18 and equipment that qualifies for the exemption provided by
19 Section 2 of this Act earns a credit in an amount equal to a
20 fixed percentage of the tax which would have been incurred
21 under this Act on those purchases. For purchases of graphic
22 arts machinery and equipment made on or after July 1, 1996
23 through June 30, 2003, and on and after September 1, 2004
24 through August 30, 2014, a purchase of graphic arts machinery
25 and equipment that qualifies for the exemption provided by

1 paragraph (5) of Section 3-5 of this Act earns a credit in an
2 amount equal to a fixed percentage of the tax that would have
3 been incurred under this Act on those purchases. The credit
4 earned for the purchase of manufacturing machinery and
5 equipment and graphic arts machinery and equipment shall be
6 referred to as the Manufacturer's Purchase Credit. A graphic
7 arts producer is a person engaged in graphic arts production as
8 defined in Section 3-30 of the Service Occupation Tax Act.
9 Beginning July 1, 1996, all references in this Section to
10 manufacturers or manufacturing shall also refer to graphic arts
11 producers or graphic arts production.

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

17 All purchases prior to October 1, 2003 and on and after
18 September 1, 2004 and through July 30, 2019 of manufacturing
19 machinery and equipment and graphic arts machinery and
20 equipment that qualify for the exemptions provided by paragraph
21 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
22 qualify for the credit without regard to whether the serviceman
23 elected, or could have elected, under paragraph (7) of Section
24 2 of this Act to exclude the transaction from this Act. If the
25 serviceman's billing to the service customer separately states
26 a selling price for the exempt manufacturing machinery or

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

16 The percentage shall be as follows:

17 (1) 15% for purchases made on or before June 30, 1995.

18 (2) 25% for purchases made after June 30, 1995, and on
19 or before June 30, 1996.

20 (3) 40% for purchases made after June 30, 1996, and on
21 or before June 30, 1997.

22 (4) 50% for purchases made on or after July 1, 1997.

23 (a) Manufacturer's Purchase Credit earned prior to July 1,
24 2003. This subsection (a) applies to Manufacturer's Purchase
25 Credit earned prior to July 1, 2003. A purchaser of production
26 related tangible personal property desiring to use the

1 Manufacturer's Purchase Credit shall certify to the seller
2 prior to October 1, 2003 that the purchaser is satisfying all
3 or part of the liability under the Use Tax Act or the Service
4 Use Tax Act that is due on the purchase of the production
5 related tangible personal property by use of a Manufacturer's
6 Purchase Credit. The Manufacturer's Purchase Credit
7 certification must be dated and shall include the name and
8 address of the purchaser, the purchaser's registration number,
9 if registered, the credit being applied, and a statement that
10 the State Use Tax or Service Use Tax liability is being
11 satisfied with the manufacturer's or graphic arts producer's
12 accumulated purchase credit. Certification may be incorporated
13 into the manufacturer's or graphic arts producer's purchase
14 order. Manufacturer's Purchase Credit certification provided
15 by the manufacturer or graphic arts producer prior to October
16 1, 2003 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. A
22 Manufacturer's Purchase Credit reported on any original or
23 amended return filed under this Act after October 20, 2003
24 shall be disallowed. The Manufacturer's Purchase Credit earned
25 by purchase of exempt manufacturing machinery and equipment or
26 graphic arts machinery and equipment is a non-transferable

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

21 No Manufacturer's Purchase Credit earned prior to July 1,
22 2003 may be used after October 1, 2003. The Manufacturer's
23 Purchase Credit may be used to satisfy liability under the Use
24 Tax Act or the Service Use Tax Act due on the purchase of
25 production related tangible personal property (including
26 purchases by a manufacturer, by a graphic arts producer, or a

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

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

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

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

1 purchaser earning Manufacturer's Purchase Credit shall
2 maintain records which identify, as to each purchase of
3 manufacturing or graphic arts machinery and equipment on which
4 the purchaser earned Manufacturer's Purchase Credit, the
5 vendor (including, if applicable, either the vendor's
6 registration number or Federal Employer Identification
7 Number), the purchase price, and the amount of Manufacturer's
8 Purchase Credit earned on each purchase.

9 A purchaser using Manufacturer's Purchase Credit shall
10 sign and file an annual Report of Manufacturer's Purchase
11 Credit Used 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 used. A Report of
14 Manufacturer's Purchase Credit Used shall be filed on forms as
15 prescribed or approved by the Department and shall state, for
16 each month of the calendar year: (i) the total purchase price
17 of production related tangible personal property purchased
18 from Illinois suppliers; (ii) the total purchase price of
19 production related tangible personal property purchased from
20 out-of-state suppliers; (iii) the total amount of credit used
21 during such month; and (iv) such other information as the
22 Department may reasonably require. A purchaser using
23 Manufacturer's Purchase Credit shall maintain records that
24 identify, as to each purchase of production related tangible
25 personal property on which the purchaser used Manufacturer's
26 Purchase Credit, the vendor (including, if applicable, either

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

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

1 production related tangible personal property made after the
2 date the amended report is filed or (ii) assessed by the
3 Department on qualifying purchases of production related
4 tangible personal property made in the case of manufacturers on
5 or after January 1, 1995, or in the case of graphic arts
6 producers on or after July 1, 1996.

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

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

23 (b) Manufacturer's Purchase Credit earned on and after
24 September 1, 2004 and through July 30, 2019. This subsection
25 (b) applies to Manufacturer's Purchase Credit earned on or
26 after September 1, 2004 and through July 30, 2019.

1 Manufacturer's Purchase Credit earned on or after September 1,
2 2004 and through July 30, 2019 may only be used to satisfy the
3 Use Tax or Service Use Tax liability incurred on production
4 related tangible personal property purchased on or after
5 September 1, 2004 and through July 30, 2019. A purchaser of
6 production related tangible personal property desiring to use
7 the Manufacturer's Purchase Credit shall certify to the seller
8 that the purchaser is satisfying all or part of the liability
9 under the Use Tax Act or the Service Use Tax Act that is due on
10 the purchase of the production related tangible personal
11 property by use of a Manufacturer's Purchase Credit. The
12 Manufacturer's Purchase Credit certification must be dated and
13 shall include the name and address of the purchaser, the
14 purchaser's registration number, if registered, the credit
15 being applied, and a statement that the State Use Tax or
16 Service Use Tax liability is being satisfied with the
17 manufacturer's or graphic arts producer's accumulated purchase
18 credit. Certification may be incorporated into the
19 manufacturer's or graphic arts producer's purchase order.
20 Manufacturer's Purchase Credit certification provided by the
21 manufacturer or graphic arts producer may be used to satisfy
22 the retailer's or serviceman's liability under the Retailers'
23 Occupation Tax Act or Service Occupation Tax Act for the credit
24 claimed, not to exceed 6.25% of the receipts subject to tax
25 from a qualifying purchase, but only if the retailer or
26 serviceman reports the Manufacturer's Purchase Credit claimed

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

24 The Manufacturer's Purchase Credit may be used to satisfy
25 liability under the Use Tax Act or the Service Use Tax Act due
26 on the purchase, made on or after September 1, 2004, of

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

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

1 the Manufacturer's Purchase Credit to purchase property on and
2 after September 1, 2004 which is later determined not to be
3 production related tangible personal property may be liable for
4 tax, penalty, and interest on the purchase of that property as
5 of the date of purchase but shall be entitled to use the
6 disallowed Manufacturer's Purchase Credit, so long as it has
7 not expired, on qualifying purchases of production related
8 tangible personal property not previously subject to credit
9 usage. The Manufacturer's Purchase Credit earned by a
10 manufacturer or graphic arts producer expires the last day of
11 the second calendar year following the calendar year in which
12 the credit arose.

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

1 purchaser earning Manufacturer's Purchase Credit shall
2 maintain records which identify, as to each purchase of
3 manufacturing or graphic arts machinery and equipment on which
4 the purchaser earned Manufacturer's Purchase Credit, the
5 vendor (including, if applicable, either the vendor's
6 registration number or Federal Employer Identification
7 Number), the purchase price, and the amount of Manufacturer's
8 Purchase Credit earned on each purchase.

9 A purchaser using Manufacturer's Purchase Credit shall
10 sign and file an annual Report of Manufacturer's Purchase
11 Credit Used 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 used. A Report of
14 Manufacturer's Purchase Credit Used shall be filed on forms as
15 prescribed or approved by the Department and shall state, for
16 each month of the calendar year: (i) the total purchase price
17 of production related tangible personal property purchased
18 from Illinois suppliers; (ii) the total purchase price of
19 production related tangible personal property purchased from
20 out-of-state suppliers; (iii) the total amount of credit used
21 during such month; and (iv) such other information as the
22 Department may reasonably require. A purchaser using
23 Manufacturer's Purchase Credit shall maintain records that
24 identify, as to each purchase of production related tangible
25 personal property on which the purchaser used Manufacturer's
26 Purchase Credit, the vendor (including, if applicable, either

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

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

1 after September 1, 2004.

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. A
7 purchaser shall not be entitled to any Manufacturer's Purchase
8 Credit for a purchase that is required to be reported and is
9 not timely reported as provided in this Section. A purchaser
10 remains liable for (i) any tax that was satisfied by use of a
11 Manufacturer's Purchase Credit, as of the date of purchase, if
12 that use is not timely reported as required in this Section and
13 (ii) for any applicable penalties and interest for failing to
14 pay the tax when due.

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

16 Section 20. The Service Occupation Tax Act is amended by
17 changing Sections 2 and 9 as follows:

18 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

19 Sec. 2. In this Act:

20 "Transfer" means any transfer of the title to property or
21 of the ownership of property whether or not the transferor
22 retains title as security for the payment of amounts due him
23 from the transferee.

24 "Cost Price" means the consideration paid by the serviceman

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

12 "Department" means the Department of Revenue.

13 "Person" means any natural individual, firm, partnership,
14 association, joint stock company, joint venture, public or
15 private corporation, limited liability company, and any
16 receiver, executor, trustee, guardian or other representative
17 appointed by order of any court.

18 "Sale of Service" means any transaction except:

19 (a) A retail sale of tangible personal property taxable
20 under the Retailers' Occupation Tax Act or under the Use Tax
21 Act.

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

25 (c) Except as hereinafter provided, a sale or transfer of
26 tangible personal property as an incident to the rendering of

1 service for or by any governmental body or for or by any
2 corporation, society, association, foundation or institution
3 organized and operated exclusively for charitable, religious
4 or educational purposes or any not-for-profit corporation,
5 society, association, foundation, institution or organization
6 which has no compensated officers or employees and which is
7 organized and operated primarily for the recreation of persons
8 55 years of age or older. A limited liability company may
9 qualify for the exemption under this paragraph only if the
10 limited liability company is organized and operated
11 exclusively for educational purposes.

12 (d) (Blank).

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

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

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

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

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

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

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

1 person, or whether such sale or lease is made apart from or as
2 an incident to the seller's engaging in a service occupation
3 and the applicable tax is a Service Occupation Tax or Service
4 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The
5 exemption provided by this paragraph (e) does not include
6 machinery and equipment used in (i) the generation of
7 electricity for wholesale or retail sale; (ii) the generation
8 or treatment of natural or artificial gas for wholesale or
9 retail sale that is delivered to customers through pipes,
10 pipelines, or mains; or (iii) the treatment of water for
11 wholesale or retail sale that is delivered to customers through
12 pipes, pipelines, or mains. The provisions of Public Act 98-583
13 are declaratory of existing law as to the meaning and scope of
14 this exemption. The exemption under this subsection (e) is
15 exempt from the provisions of Section 3-75.

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

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

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

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

19 Exemption (e) also includes machinery and equipment used in
20 the general maintenance or repair of such exempt machinery and
21 equipment or for in-house manufacture of exempt machinery and
22 equipment. On and after July 1, 2017, exemption (e) also
23 includes graphic arts machinery and equipment, as defined in
24 paragraph (5) of Section 3-5. On and after July 1, 2019,
25 exemption (e) also includes production related tangible
26 personal property, as defined in this Section. The machinery

1 and equipment exemption does not include machinery and
2 equipment used in (i) the generation of electricity for
3 wholesale or retail sale; (ii) the generation or treatment of
4 natural or artificial gas for wholesale or retail sale that is
5 delivered to customers through pipes, pipelines, or mains; or
6 (iii) the treatment of water for wholesale or retail sale that
7 is delivered to customers through pipes, pipelines, or mains.
8 The provisions of Public Act 98-583 are declaratory of existing
9 law as to the meaning and scope of this exemption. For the
10 purposes of exemption (e), each of these terms shall have the
11 following meanings: (1) "manufacturing process" shall mean the
12 production of any article of tangible personal property,
13 whether such article is a finished product or an article for
14 use in the process of manufacturing or assembling a different
15 article of tangible personal property, by procedures commonly
16 regarded as manufacturing, processing, fabricating, or
17 refining which changes some existing material or materials into
18 a material with a different form, use or name. In relation to a
19 recognized integrated business composed of a series of
20 operations which collectively constitute manufacturing, or
21 individually constitute manufacturing operations, the
22 manufacturing process shall be deemed to commence with the
23 first operation or stage of production in the series, and shall
24 not be deemed to end until the completion of the final product
25 in the last operation or stage of production in the series; and
26 further for purposes of exemption (e), photoprocessing is

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

1 personal property that is used or consumed by the purchaser in
2 a manufacturing facility in which a manufacturing process
3 described in Section 2-45 of the Retailers' Occupation Tax Act
4 takes place, including tangible personal property that is
5 purchased for incorporation into real estate within a
6 manufacturing facility, and including, but not limited to,
7 tangible personal property that is used or consumed in
8 activities such as preproduction material handling, receiving,
9 quality control, inventory control, storage, staging,
10 packaging for shipping and transportation purposes, and all
11 tangible personal property used or consumed by the purchaser
12 for research and development; "production related tangible
13 personal property" does not include (i) tangible personal
14 property that is used, within or without a manufacturing
15 facility, in sales, purchasing, accounting, fiscal management,
16 marketing, personnel recruitment or selection, or landscaping,
17 or (ii) tangible personal property that is required to be
18 titled or registered with a department, agency, or unit of
19 federal, State, or local government. The purchaser of such
20 machinery and equipment who has an active resale registration
21 number shall furnish such number to the seller at the time of
22 purchase. The purchaser of such machinery and equipment and
23 tools without an active resale registration number shall
24 furnish to the seller a certificate of exemption for each
25 transaction stating facts establishing the exemption for that
26 transaction, which certificate shall be available to the

1 Department for inspection or audit.

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

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

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

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

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

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

6 (Source: P.A. 100-22, eff. 7-6-17; 100-321, eff. 8-24-17;
7 100-863, eff. 8-14-18.)

8 (35 ILCS 115/9) (from Ch. 120, par. 439.109)

9 Sec. 9. Each serviceman required or authorized to collect
10 the tax herein imposed shall pay to the Department the amount
11 of such tax at the time when he is required to file his return
12 for the period during which such tax was collectible, less a
13 discount of 2.1% prior to January 1, 1990, and 1.75% on and
14 after January 1, 1990, or \$5 per calendar year, whichever is
15 greater, which is allowed to reimburse the serviceman for
16 expenses incurred in collecting the tax, keeping records,
17 preparing and filing returns, remitting the tax and supplying
18 data to the Department on request. The discount allowed under
19 this Section is allowed only for returns that are filed in the
20 manner required by this Act. The Department may disallow the
21 discount for servicemen whose certificate of registration is
22 revoked at the time the return is filed, but only if the
23 Department's decision to revoke the certificate of
24 registration has become final.

25 Where such tangible personal property is sold under a

1 conditional sales contract, or under any other form of sale
2 wherein the payment of the principal sum, or a part thereof, is
3 extended beyond the close of the period for which the return is
4 filed, the serviceman, in collecting the tax may collect, for
5 each tax return period, only the tax applicable to the part of
6 the selling price actually received during such tax return
7 period.

8 Except as provided hereinafter in this Section, on or
9 before the twentieth day of each calendar month, such
10 serviceman shall file a return for the preceding calendar month
11 in accordance with reasonable rules and regulations to be
12 promulgated by the Department of Revenue. Such return shall be
13 filed on a form prescribed by the Department and shall contain
14 such information as the Department may reasonably require. On
15 and after January 1, 2018, with respect to servicemen whose
16 annual gross receipts average \$20,000 or more, all returns
17 required to be filed pursuant to this Act shall be filed
18 electronically. Servicemen who demonstrate that they do not
19 have access to the Internet or demonstrate hardship in filing
20 electronically may petition the Department to waive the
21 electronic filing requirement.

22 The Department may require returns to be filed on a
23 quarterly basis. If so required, a return for each calendar
24 quarter shall be filed on or before the twentieth day of the
25 calendar month following the end of such calendar quarter. The
26 taxpayer shall also file a return with the Department for each

1 of the first two months of each calendar quarter, on or before
2 the twentieth day of the following calendar month, stating:

3 1. The name of the seller;

4 2. The address of the principal place of business from
5 which he engages in business as a serviceman in this State;

6 3. The total amount of taxable receipts received by him
7 during the preceding calendar month, including receipts
8 from charge and time sales, but less all deductions allowed
9 by law;

10 4. The amount of credit provided in Section 2d of this
11 Act;

12 5. The amount of tax due;

13 5-5. The signature of the taxpayer; and

14 6. Such other reasonable information as the Department
15 may require.

16 If a taxpayer fails to sign a return within 30 days after
17 the proper notice and demand for signature by the Department,
18 the return shall be considered valid and any amount shown to be
19 due on the return shall be deemed assessed.

20 Prior to October 1, 2003, and on and after September 1,
21 2004 and through June 30, 2019, a serviceman may accept a
22 Manufacturer's Purchase Credit certification from a purchaser
23 in satisfaction of Service Use Tax as provided in Section 3-70
24 of the Service Use Tax Act if the purchaser provides the
25 appropriate documentation as required by Section 3-70 of the
26 Service Use Tax Act. A Manufacturer's Purchase Credit

1 certification, accepted prior to October 1, 2003 or on or after
2 September 1, 2004 and through June 30, 2019 by a serviceman as
3 provided in Section 3-70 of the Service Use Tax Act, may be
4 used by that serviceman through June 30, 2019 to satisfy
5 Service Occupation Tax liability in the amount claimed in the
6 certification, not to exceed 6.25% of the receipts subject to
7 tax from a qualifying purchase. A Manufacturer's Purchase
8 Credit reported on any original or amended return filed under
9 this Act after October 20, 2003 for reporting periods prior to
10 September 1, 2004 shall be disallowed. A Manufacturer's
11 Purchase Credit reported on any original or amended return
12 filed under this Act after June 30, 2019 shall be disallowed.
13 Manufacturer's Purchase Credit reported on annual returns due
14 on or after January 1, 2005 will be disallowed for periods
15 prior to September 1, 2004. A Manufacturer's Purchase Credit
16 reported on an annual return due on or after January 1, 2020
17 shall be disallowed for periods on and after July 1, 2019. No
18 Manufacturer's Purchase Credit may be used after September 30,
19 2003 through August 31, 2004 or after June 30, 2019 to satisfy
20 any tax liability imposed under this Act, including any audit
21 liability.

22 If the serviceman's average monthly tax liability to the
23 Department does not exceed \$200, the Department may authorize
24 his returns to be filed on a quarter annual basis, with the
25 return for January, February and March of a given year being
26 due by April 20 of such year; with the return for April, May

1 and June of a given year being due by July 20 of such year; with
2 the return for July, August and September of a given year being
3 due by October 20 of such year, and with the return for
4 October, November and December of a given year being due by
5 January 20 of the following year.

6 If the serviceman's average monthly tax liability to the
7 Department does not exceed \$50, the Department may authorize
8 his returns to be filed on an annual basis, with the return for
9 a given year being due by January 20 of the following year.

10 Such quarter annual and annual returns, as to form and
11 substance, shall be subject to the same requirements as monthly
12 returns.

13 Notwithstanding any other provision in this Act concerning
14 the time within which a serviceman may file his return, in the
15 case of any serviceman who ceases to engage in a kind of
16 business which makes him responsible for filing returns under
17 this Act, such serviceman shall file a final return under this
18 Act with the Department not more than 1 month after
19 discontinuing such business.

20 Beginning October 1, 1993, a taxpayer who has an average
21 monthly tax liability of \$150,000 or more shall make all
22 payments required by rules of the Department by electronic
23 funds transfer. Beginning October 1, 1994, a taxpayer who has
24 an average monthly tax liability of \$100,000 or more shall make
25 all payments required by rules of the Department by electronic
26 funds transfer. Beginning October 1, 1995, a taxpayer who has

1 an average monthly tax liability of \$50,000 or more shall make
2 all payments required by rules of the Department by electronic
3 funds transfer. Beginning October 1, 2000, a taxpayer who has
4 an annual tax liability of \$200,000 or more shall make all
5 payments required by rules of the Department by electronic
6 funds transfer. The term "annual tax liability" shall be the
7 sum of the taxpayer's liabilities under this Act, and under all
8 other State and local occupation and use tax laws administered
9 by the Department, for the immediately preceding calendar year.
10 The term "average monthly tax liability" means the sum of the
11 taxpayer's liabilities under this Act, and under all other
12 State and local occupation and use tax laws administered by the
13 Department, for the immediately preceding calendar year
14 divided by 12. Beginning on October 1, 2002, a taxpayer who has
15 a tax liability in the amount set forth in subsection (b) of
16 Section 2505-210 of the Department of Revenue Law shall make
17 all payments required by rules of the Department by electronic
18 funds transfer.

19 Before August 1 of each year beginning in 1993, the
20 Department shall notify all taxpayers required to make payments
21 by electronic funds transfer. All taxpayers required to make
22 payments by electronic funds transfer shall make those payments
23 for a minimum of one year beginning on October 1.

24 Any taxpayer not required to make payments by electronic
25 funds transfer may make payments by electronic funds transfer
26 with the permission of the Department.

1 All taxpayers required to make payment by electronic funds
2 transfer and any taxpayers authorized to voluntarily make
3 payments by electronic funds transfer shall make those payments
4 in the manner authorized by the Department.

5 The Department shall adopt such rules as are necessary to
6 effectuate a program of electronic funds transfer and the
7 requirements of this Section.

8 Where a serviceman collects the tax with respect to the
9 selling price of tangible personal property which he sells and
10 the purchaser thereafter returns such tangible personal
11 property and the serviceman refunds the selling price thereof
12 to the purchaser, such serviceman shall also refund, to the
13 purchaser, the tax so collected from the purchaser. When filing
14 his return for the period in which he refunds such tax to the
15 purchaser, the serviceman may deduct the amount of the tax so
16 refunded by him to the purchaser from any other Service
17 Occupation Tax, Service Use Tax, Retailers' Occupation Tax or
18 Use Tax which such serviceman may be required to pay or remit
19 to the Department, as shown by such return, provided that the
20 amount of the tax to be deducted shall previously have been
21 remitted to the Department by such serviceman. If the
22 serviceman shall not previously have remitted the amount of
23 such tax to the Department, he shall be entitled to no
24 deduction hereunder upon refunding such tax to the purchaser.

25 If experience indicates such action to be practicable, the
26 Department may prescribe and furnish a combination or joint

1 return which will enable servicemen, who are required to file
2 returns hereunder and also under the Retailers' Occupation Tax
3 Act, the Use Tax Act or the Service Use Tax Act, to furnish all
4 the return information required by all said Acts on the one
5 form.

6 Where the serviceman has more than one business registered
7 with the Department under separate registrations hereunder,
8 such serviceman shall file separate returns for each registered
9 business.

10 Beginning January 1, 1990, each month the Department shall
11 pay into the Local Government Tax Fund the revenue realized for
12 the preceding month from the 1% tax imposed under this Act.

13 Beginning January 1, 1990, each month the Department shall
14 pay into the County and Mass Transit District Fund 4% of the
15 revenue realized for the preceding month from the 6.25% general
16 rate.

17 Beginning August 1, 2000, each month the Department shall
18 pay into the County and Mass Transit District Fund 20% of the
19 net revenue realized for the preceding month from the 1.25%
20 rate on the selling price of motor fuel and gasohol.

21 Beginning January 1, 1990, each month the Department shall
22 pay into the Local Government Tax Fund 16% of the revenue
23 realized for the preceding month from the 6.25% general rate on
24 transfers of tangible personal property.

25 Beginning August 1, 2000, each month the Department shall
26 pay into the Local Government Tax Fund 80% of the net revenue

1 realized for the preceding month from the 1.25% rate on the
2 selling price of motor fuel and gasohol.

3 Beginning October 1, 2009, each month the Department shall
4 pay into the Capital Projects Fund an amount that is equal to
5 an amount estimated by the Department to represent 80% of the
6 net revenue realized for the preceding month from the sale of
7 candy, grooming and hygiene products, and soft drinks that had
8 been taxed at a rate of 1% prior to September 1, 2009 but that
9 are now taxed at 6.25%.

10 Beginning July 1, 2013, each month the Department shall pay
11 into the Underground Storage Tank Fund from the proceeds
12 collected under this Act, the Use Tax Act, the Service Use Tax
13 Act, and the Retailers' Occupation Tax Act an amount equal to
14 the average monthly deficit in the Underground Storage Tank
15 Fund during the prior year, as certified annually by the
16 Illinois Environmental Protection Agency, but the total
17 payment into the Underground Storage Tank Fund under this Act,
18 the Use Tax Act, the Service Use Tax Act, and the Retailers'
19 Occupation Tax Act shall not exceed \$18,000,000 in any State
20 fiscal year. As used in this paragraph, the "average monthly
21 deficit" shall be equal to the difference between the average
22 monthly claims for payment by the fund and the average monthly
23 revenues deposited into the fund, excluding payments made
24 pursuant to this paragraph.

25 Beginning July 1, 2015, of the remainder of the moneys
26 received by the Department under the Use Tax Act, the Service

1 Use Tax Act, this Act, and the Retailers' Occupation Tax Act,
2 each month the Department shall deposit \$500,000 into the State
3 Crime Laboratory Fund.

4 Of the remainder of the moneys received by the Department
5 pursuant to this Act, (a) 1.75% thereof shall be paid into the
6 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
7 and after July 1, 1989, 3.8% thereof shall be paid into the
8 Build Illinois Fund; provided, however, that if in any fiscal
9 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
10 may be, of the moneys received by the Department and required
11 to be paid into the Build Illinois Fund pursuant to Section 3
12 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax
13 Act, Section 9 of the Service Use Tax Act, and Section 9 of the
14 Service Occupation Tax Act, such Acts being hereinafter called
15 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case
16 may be, of moneys being hereinafter called the "Tax Act
17 Amount", and (2) the amount transferred to the Build Illinois
18 Fund from the State and Local Sales Tax Reform Fund shall be
19 less than the Annual Specified Amount (as defined in Section 3
20 of the Retailers' Occupation Tax Act), an amount equal to the
21 difference shall be immediately paid into the Build Illinois
22 Fund from other moneys received by the Department pursuant to
23 the Tax Acts; and further provided, that if on the last
24 business day of any month the sum of (1) the Tax Act Amount
25 required to be deposited into the Build Illinois Account in the
26 Build Illinois Fund during such month and (2) the amount

1 transferred during such month to the Build Illinois Fund from
2 the State and Local Sales Tax Reform Fund shall have been less
3 than 1/12 of the Annual Specified Amount, an amount equal to
4 the difference shall be immediately paid into the Build
5 Illinois Fund from other moneys received by the Department
6 pursuant to the Tax Acts; and, further provided, that in no
7 event shall the payments required under the preceding proviso
8 result in aggregate payments into the Build Illinois Fund
9 pursuant to this clause (b) for any fiscal year in excess of
10 the greater of (i) the Tax Act Amount or (ii) the Annual
11 Specified Amount for such fiscal year; and, further provided,
12 that the amounts payable into the Build Illinois Fund under
13 this clause (b) shall be payable only until such time as the
14 aggregate amount on deposit under each trust indenture securing
15 Bonds issued and outstanding pursuant to the Build Illinois
16 Bond Act is sufficient, taking into account any future
17 investment income, to fully provide, in accordance with such
18 indenture, for the defeasance of or the payment of the
19 principal of, premium, if any, and interest on the Bonds
20 secured by such indenture and on any Bonds expected to be
21 issued thereafter and all fees and costs payable with respect
22 thereto, all as certified by the Director of the Bureau of the
23 Budget (now Governor's Office of Management and Budget). If on
24 the last business day of any month in which Bonds are
25 outstanding pursuant to the Build Illinois Bond Act, the
26 aggregate of the moneys deposited in the Build Illinois Bond

1 Account in the Build Illinois Fund in such month shall be less
2 than the amount required to be transferred in such month from
3 the Build Illinois Bond Account to the Build Illinois Bond
4 Retirement and Interest Fund pursuant to Section 13 of the
5 Build Illinois Bond Act, an amount equal to such deficiency
6 shall be immediately paid from other moneys received by the
7 Department pursuant to the Tax Acts to the Build Illinois Fund;
8 provided, however, that any amounts paid to the Build Illinois
9 Fund in any fiscal year pursuant to this sentence shall be
10 deemed to constitute payments pursuant to clause (b) of the
11 preceding sentence and shall reduce the amount otherwise
12 payable for such fiscal year pursuant to clause (b) of the
13 preceding sentence. The moneys received by the Department
14 pursuant to this Act and required to be deposited into the
15 Build Illinois Fund are subject to the pledge, claim and charge
16 set forth in Section 12 of the Build Illinois Bond Act.

17 Subject to payment of amounts into the Build Illinois Fund
18 as provided in the preceding paragraph or in any amendment
19 thereto hereafter enacted, the following specified monthly
20 installment of the amount requested in the certificate of the
21 Chairman of the Metropolitan Pier and Exposition Authority
22 provided under Section 8.25f of the State Finance Act, but not
23 in excess of the sums designated as "Total Deposit", shall be
24 deposited in the aggregate from collections under Section 9 of
25 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
26 9 of the Service Occupation Tax Act, and Section 3 of the

1 Retailers' Occupation Tax Act into the McCormick Place
2 Expansion Project Fund in the specified fiscal years.

	Fiscal Year	Total Deposit
3		
4	1993	\$0
5	1994	53,000,000
6	1995	58,000,000
7	1996	61,000,000
8	1997	64,000,000
9	1998	68,000,000
10	1999	71,000,000
11	2000	75,000,000
12	2001	80,000,000
13	2002	93,000,000
14	2003	99,000,000
15	2004	103,000,000
16	2005	108,000,000
17	2006	113,000,000
18	2007	119,000,000
19	2008	126,000,000
20	2009	132,000,000
21	2010	139,000,000
22	2011	146,000,000
23	2012	153,000,000
24	2013	161,000,000
25	2014	170,000,000

1	2015	179,000,000
2	2016	189,000,000
3	2017	199,000,000
4	2018	210,000,000
5	2019	221,000,000
6	2020	233,000,000
7	2021	246,000,000
8	2022	260,000,000
9	2023	275,000,000
10	2024	275,000,000
11	2025	275,000,000
12	2026	279,000,000
13	2027	292,000,000
14	2028	307,000,000
15	2029	322,000,000
16	2030	338,000,000
17	2031	350,000,000
18	2032	350,000,000

19 and
20 each fiscal year
21 thereafter that bonds
22 are outstanding under
23 Section 13.2 of the
24 Metropolitan Pier and
25 Exposition Authority Act,
26 but not after fiscal year 2060.

1 Beginning July 20, 1993 and in each month of each fiscal
2 year thereafter, one-eighth of the amount requested in the
3 certificate of the Chairman of the Metropolitan Pier and
4 Exposition Authority for that fiscal year, less the amount
5 deposited into the McCormick Place Expansion Project Fund by
6 the State Treasurer in the respective month under subsection
7 (g) of Section 13 of the Metropolitan Pier and Exposition
8 Authority Act, plus cumulative deficiencies in the deposits
9 required under this Section for previous months and years,
10 shall be deposited into the McCormick Place Expansion Project
11 Fund, until the full amount requested for the fiscal year, but
12 not in excess of the amount specified above as "Total Deposit",
13 has been deposited.

14 Subject to payment of amounts into the Build Illinois Fund
15 and the McCormick Place Expansion Project Fund pursuant to the
16 preceding paragraphs or in any amendments thereto hereafter
17 enacted, beginning July 1, 1993 and ending on September 30,
18 2013, the Department shall each month pay into the Illinois Tax
19 Increment Fund 0.27% of 80% of the net revenue realized for the
20 preceding month from the 6.25% general rate on the selling
21 price of tangible personal property.

22 Subject to payment of amounts into the Build Illinois Fund
23 and the McCormick Place Expansion Project Fund pursuant to the
24 preceding paragraphs or in any amendments thereto hereafter
25 enacted, beginning with the receipt of the first report of
26 taxes paid by an eligible business and continuing for a 25-year

1 period, the Department shall each month pay into the Energy
2 Infrastructure Fund 80% of the net revenue realized from the
3 6.25% general rate on the selling price of Illinois-mined coal
4 that was sold to an eligible business. For purposes of this
5 paragraph, the term "eligible business" means a new electric
6 generating facility certified pursuant to Section 605-332 of
7 the Department of Commerce and Economic Opportunity Law of the
8 Civil Administrative Code of Illinois.

9 Subject to payment of amounts into the Build Illinois Fund,
10 the McCormick Place Expansion Project Fund, the Illinois Tax
11 Increment Fund, and the Energy Infrastructure Fund pursuant to
12 the preceding paragraphs or in any amendments to this Section
13 hereafter enacted, beginning on the first day of the first
14 calendar month to occur on or after August 26, 2014 (the
15 effective date of Public Act 98-1098), each month, from the
16 collections made under Section 9 of the Use Tax Act, Section 9
17 of the Service Use Tax Act, Section 9 of the Service Occupation
18 Tax Act, and Section 3 of the Retailers' Occupation Tax Act,
19 the Department shall pay into the Tax Compliance and
20 Administration Fund, to be used, subject to appropriation, to
21 fund additional auditors and compliance personnel at the
22 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
23 the cash receipts collected during the preceding fiscal year by
24 the Audit Bureau of the Department under the Use Tax Act, the
25 Service Use Tax Act, the Service Occupation Tax Act, the
26 Retailers' Occupation Tax Act, and associated local occupation

1 and use taxes administered by the Department.

2 Subject to payments of amounts into the Build Illinois
3 Fund, the McCormick Place Expansion Project Fund, the Illinois
4 Tax Increment Fund, the Energy Infrastructure Fund, and the Tax
5 Compliance and Administration Fund as provided in this Section,
6 beginning on July 1, 2018 the Department shall pay each month
7 into the Downstate Public Transportation Fund the moneys
8 required to be so paid under Section 2-3 of the Downstate
9 Public Transportation Act.

10 Of the remainder of the moneys received by the Department
11 pursuant to this Act, 75% shall be paid into the General
12 Revenue Fund of the State Treasury and 25% shall be reserved in
13 a special account and used only for the transfer to the Common
14 School Fund as part of the monthly transfer from the General
15 Revenue Fund in accordance with Section 8a of the State Finance
16 Act.

17 The Department may, upon separate written notice to a
18 taxpayer, require the taxpayer to prepare and file with the
19 Department on a form prescribed by the Department within not
20 less than 60 days after receipt of the notice an annual
21 information return for the tax year specified in the notice.
22 Such annual return to the Department shall include a statement
23 of gross receipts as shown by the taxpayer's last Federal
24 income tax return. If the total receipts of the business as
25 reported in the Federal income tax return do not agree with the
26 gross receipts reported to the Department of Revenue for the

1 same period, the taxpayer shall attach to his annual return a
2 schedule showing a reconciliation of the 2 amounts and the
3 reasons for the difference. The taxpayer's annual return to the
4 Department shall also disclose the cost of goods sold by the
5 taxpayer during the year covered by such return, opening and
6 closing inventories of such goods for such year, cost of goods
7 used from stock or taken from stock and given away by the
8 taxpayer during such year, pay roll information of the
9 taxpayer's business during such year and any additional
10 reasonable information which the Department deems would be
11 helpful in determining the accuracy of the monthly, quarterly
12 or annual returns filed by such taxpayer as hereinbefore
13 provided for in this Section.

14 If the annual information return required by this Section
15 is not filed when and as required, the taxpayer shall be liable
16 as follows:

17 (i) Until January 1, 1994, the taxpayer shall be liable
18 for a penalty equal to $\frac{1}{6}$ of 1% of the tax due from such
19 taxpayer under this Act during the period to be covered by
20 the annual return for each month or fraction of a month
21 until such return is filed as required, the penalty to be
22 assessed and collected in the same manner as any other
23 penalty provided for in this Act.

24 (ii) On and after January 1, 1994, the taxpayer shall
25 be liable for a penalty as described in Section 3-4 of the
26 Uniform Penalty and Interest Act.

1 The chief executive officer, proprietor, owner or highest
2 ranking manager shall sign the annual return to certify the
3 accuracy of the information contained therein. Any person who
4 willfully signs the annual return containing false or
5 inaccurate information shall be guilty of perjury and punished
6 accordingly. The annual return form prescribed by the
7 Department shall include a warning that the person signing the
8 return may be liable for perjury.

9 The foregoing portion of this Section concerning the filing
10 of an annual information return shall not apply to a serviceman
11 who is not required to file an income tax return with the
12 United States Government.

13 As soon as possible after the first day of each month, upon
14 certification of the Department of Revenue, the Comptroller
15 shall order transferred and the Treasurer shall transfer from
16 the General Revenue Fund to the Motor Fuel Tax Fund an amount
17 equal to 1.7% of 80% of the net revenue realized under this Act
18 for the second preceding month. Beginning April 1, 2000, this
19 transfer is no longer required and shall not be made.

20 Net revenue realized for a month shall be the revenue
21 collected by the State pursuant to this Act, less the amount
22 paid out during that month as refunds to taxpayers for
23 overpayment of liability.

24 For greater simplicity of administration, it shall be
25 permissible for manufacturers, importers and wholesalers whose
26 products are sold by numerous servicemen in Illinois, and who

1 wish to do so, to assume the responsibility for accounting and
2 paying to the Department all tax accruing under this Act with
3 respect to such sales, if the servicemen who are affected do
4 not make written objection to the Department to this
5 arrangement.

6 (Source: P.A. 99-352, eff. 8-12-15; 99-858, eff. 8-19-16;
7 100-303, eff. 8-24-17; 100-363, eff. 7-1-18; 100-863, eff.
8 8-14-18; 100-1171, eff. 1-4-19.)

9 Section 25. The Retailers' Occupation Tax Act is amended by
10 changing Sections 2-5, 2-45, and 3 as follows:

11 (35 ILCS 120/2-5)

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

15 (1) Farm chemicals.

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

1 nurse wagons required to be registered under Section 3-809
2 of the Illinois Vehicle Code, but excluding other motor
3 vehicles required to be registered under the Illinois
4 Vehicle Code. Horticultural polyhouses or hoop houses used
5 for propagating, growing, or overwintering plants shall be
6 considered farm machinery and equipment under this item
7 (2). Agricultural chemical tender tanks and dry boxes shall
8 include units sold separately from a motor vehicle required
9 to be licensed and units sold mounted on a motor vehicle
10 required to be licensed, if the selling price of the tender
11 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
15 not limited to, tractors, harvesters, sprayers, planters,
16 seeders, or spreaders. Precision farming equipment
17 includes, but is not limited to, soil testing sensors,
18 computers, monitors, software, global positioning and
19 mapping systems, and other such equipment.

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

1 from the provisions of Section 2-70.

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

9 (4) Until July 1, 2003 and beginning again September 1,
10 2004 through August 30, 2014, graphic arts machinery and
11 equipment, including repair and replacement parts, both
12 new and used, and including that manufactured on special
13 order or purchased for lease, certified by the purchaser to
14 be used primarily for graphic arts production. Equipment
15 includes chemicals or chemicals acting as catalysts but
16 only if the chemicals or chemicals acting as catalysts
17 effect a direct and immediate change upon a graphic arts
18 product. Beginning on July 1, 2017, graphic arts machinery
19 and equipment is included in the manufacturing and
20 assembling machinery and equipment exemption under
21 paragraph (14).

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

26 (6) Personal property sold by a teacher-sponsored

1 student organization affiliated with an elementary or
2 secondary school located in Illinois.

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

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

9 (9) Personal property sold to a not-for-profit arts or
10 cultural organization that establishes, by proof required
11 by the Department by rule, that it has received an
12 exemption under Section 501(c)(3) of the Internal Revenue
13 Code and that is organized and operated primarily for the
14 presentation or support of arts or cultural programming,
15 activities, or services. These organizations include, but
16 are not limited to, music and dramatic arts organizations
17 such as symphony orchestras and theatrical groups, arts and
18 cultural service organizations, local arts councils,
19 visual arts organizations, and media arts organizations.
20 On and after July 1, 2001 (the effective date of Public Act
21 92-35), however, an entity otherwise eligible for this
22 exemption shall not make tax-free purchases unless it has
23 an active identification number issued by the Department.

24 (10) Personal property sold by a corporation, society,
25 association, foundation, institution, or organization,
26 other than a limited liability company, that is organized

1 and operated as a not-for-profit service enterprise for the
2 benefit of persons 65 years of age or older if the personal
3 property was not purchased by the enterprise for the
4 purpose of resale by the enterprise.

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

20 (12) (Blank).

21 (12-5) On and after July 1, 2003 and through June 30,
22 2004, motor vehicles of the second division with a gross
23 vehicle weight in excess of 8,000 pounds that are subject
24 to the commercial distribution fee imposed under Section
25 3-815.1 of the Illinois Vehicle Code. Beginning on July 1,
26 2004 and through June 30, 2005, the use in this State of

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

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

23 (14) Machinery and equipment that will be used by the
24 purchaser, or a lessee of the purchaser, primarily in the
25 process of manufacturing or assembling tangible personal
26 property for wholesale or retail sale or lease, whether the

1 sale or lease is made directly by the manufacturer or by
2 some other person, whether the materials used in the
3 process are owned by the manufacturer or some other person,
4 or whether the sale or lease is made apart from or as an
5 incident to the seller's engaging in the service occupation
6 of producing machines, tools, dies, jigs, patterns,
7 gauges, or other similar items of no commercial value on
8 special order for a particular purchaser. The exemption
9 provided by this paragraph (14) does not include machinery
10 and equipment used in (i) the generation of electricity for
11 wholesale or retail sale; (ii) the generation or treatment
12 of natural or artificial gas for wholesale or retail sale
13 that is delivered to customers through pipes, pipelines, or
14 mains; or (iii) the treatment of water for wholesale or
15 retail sale that is delivered to customers through pipes,
16 pipelines, or mains. The provisions of Public Act 98-583
17 are declaratory of existing law as to the meaning and scope
18 of this exemption. Beginning on July 1, 2017, the exemption
19 provided by this paragraph (14) includes, but is not
20 limited to, graphic arts machinery and equipment, as
21 defined in paragraph (4) of this Section. Beginning on July
22 1, 2019, manufacturing and assembling machinery and
23 equipment includes production related tangible personal
24 property, as defined in Section 2-45 of this Act. The
25 exemption provided by this paragraph (14) is exempt from
26 the provisions of Section 2-70.

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

9 (16) Tangible personal property sold to a purchaser if
10 the purchaser is exempt from use tax by operation of
11 federal law. This paragraph is exempt from the provisions
12 of Section 2-70.

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

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

25 (19) Until July 1, 2003, oil field exploration,
26 drilling, and production equipment, including (i) rigs and

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

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

15 (21) Until July 1, 2023, coal and aggregate
16 exploration, mining, off-highway hauling, processing,
17 maintenance, and reclamation equipment, including
18 replacement parts and equipment, and including equipment
19 purchased for lease, but excluding motor vehicles required
20 to be registered under the Illinois Vehicle Code. The
21 changes made to this Section by Public Act 97-767 apply on
22 and after July 1, 2003, but no claim for credit or refund
23 is allowed on or after August 16, 2013 (the effective date
24 of Public Act 98-456) for such taxes paid during the period
25 beginning July 1, 2003 and ending on August 16, 2013 (the
26 effective date of Public Act 98-456).

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

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

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

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

1 vessel while it is afloat upon that bordering river.

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

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

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

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

22 (1) the aircraft leaves this State within 15 days
23 after the later of either the issuance of the final
24 billing for the sale of the aircraft, or the authorized
25 approval for return to service, completion of the
26 maintenance record entry, and completion of the test

1 flight and ground test for inspection, as required by
2 14 C.F.R. 91.407;

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

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

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

17 "Based in this State" means hangared, stored, or
18 otherwise used, excluding post-sale customizations as
19 defined in this Section, for 10 or more days in each
20 12-month period immediately following the date of the sale
21 of the aircraft.

22 "Registered in this State" means an aircraft
23 registered with the Department of Transportation,
24 Aeronautics Division, or titled or registered with the
25 Federal Aviation Administration to an address located in
26 this State.

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

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

5 (27) Horses, or interests in horses, registered with
6 and meeting the requirements of any of the Arabian Horse
7 Club Registry of America, Appaloosa Horse Club, American
8 Quarter Horse Association, United States Trotting
9 Association, or Jockey Club, as appropriate, used for
10 purposes of breeding or racing for prizes. This item (27)
11 is exempt from the provisions of Section 2-70, and the
12 exemption provided for under this item (27) applies for all
13 periods beginning May 30, 1995, but no claim for credit or
14 refund is allowed on or after January 1, 2008 (the
15 effective date of Public Act 95-88) for such taxes paid
16 during the period beginning May 30, 2000 and ending on
17 January 1, 2008 (the effective date of Public Act 95-88).

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

26 (29) Personal property sold to a lessor who leases the

1 property, under a lease of one year or longer executed or
2 in effect at the time of the purchase, to a governmental
3 body that has been issued an active tax exemption
4 identification number by the Department under Section 1g of
5 this Act.

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

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

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

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

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

1 occupation.

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

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

1 provisions of Section 2-70.

2 (35-5) Beginning August 23, 2001 and through June 30,
3 2016, food for human consumption that is to be consumed off
4 the premises where it is sold (other than alcoholic
5 beverages, soft drinks, and food that has been prepared for
6 immediate consumption) and prescription and
7 nonprescription medicines, drugs, medical appliances, and
8 insulin, urine testing materials, syringes, and needles
9 used by diabetics, for human use, when purchased for use by
10 a person receiving medical assistance under Article V of
11 the Illinois Public Aid Code who resides in a licensed
12 long-term care facility, as defined in the Nursing Home
13 Care Act, or a licensed facility as defined in the ID/DD
14 Community Care Act, the MC/DD Act, or the Specialized
15 Mental Health Rehabilitation Act of 2013.

16 (36) Beginning August 2, 2001, computers and
17 communications equipment utilized for any hospital purpose
18 and equipment used in the diagnosis, analysis, or treatment
19 of hospital patients sold to a lessor who leases the
20 equipment, under a lease of one year or longer executed or
21 in effect at the time of the purchase, to a hospital that
22 has been issued an active tax exemption identification
23 number by the Department under Section 1g of this Act. This
24 paragraph is exempt from the provisions of Section 2-70.

25 (37) Beginning August 2, 2001, personal property sold
26 to a lessor who leases the property, under a lease of one

1 year or longer executed or in effect at the time of the
2 purchase, to a governmental body that has been issued an
3 active tax exemption identification number by the
4 Department under Section 1g of this Act. This paragraph is
5 exempt from the provisions of Section 2-70.

6 (38) Beginning on January 1, 2002 and through June 30,
7 2016, tangible personal property purchased from an
8 Illinois retailer by a taxpayer engaged in centralized
9 purchasing activities in Illinois who will, upon receipt of
10 the property in Illinois, temporarily store the property in
11 Illinois (i) for the purpose of subsequently transporting
12 it outside this State for use or consumption thereafter
13 solely outside this State or (ii) for the purpose of being
14 processed, fabricated, or manufactured into, attached to,
15 or incorporated into other tangible personal property to be
16 transported outside this State and thereafter used or
17 consumed solely outside this State. The Director of Revenue
18 shall, pursuant to rules adopted in accordance with the
19 Illinois Administrative Procedure Act, issue a permit to
20 any taxpayer in good standing with the Department who is
21 eligible for the exemption under this paragraph (38). The
22 permit issued under this paragraph (38) shall authorize the
23 holder, to the extent and in the manner specified in the
24 rules adopted under this Act, to purchase tangible personal
25 property from a retailer exempt from the taxes imposed by
26 this Act. Taxpayers shall maintain all necessary books and

1 records to substantiate the use and consumption of all such
2 tangible personal property outside of the State of
3 Illinois.

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

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

1 protective films. This exemption applies only to the sale
2 of qualifying tangible personal property to persons who
3 modify, refurbish, complete, replace, or maintain an
4 aircraft and who (i) hold an Air Agency Certificate and are
5 empowered to operate an approved repair station by the
6 Federal Aviation Administration, (ii) have a Class IV
7 Rating, and (iii) conduct operations in accordance with
8 Part 145 of the Federal Aviation Regulations. The exemption
9 does not include aircraft operated by a commercial air
10 carrier providing scheduled passenger air service pursuant
11 to authority issued under Part 121 or Part 129 of the
12 Federal Aviation Regulations. The changes made to this
13 paragraph (40) by Public Act 98-534 are declarative of
14 existing 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,
19 but only if the legal title to the municipal convention
20 hall is transferred to the municipality without any further
21 consideration by or on behalf of the municipality at the
22 time of the completion of the municipal convention hall or
23 upon the retirement or redemption of any bonds or other
24 debt instruments issued by the public-facilities
25 corporation in connection with the development of the
26 municipal convention hall. This exemption includes

1 existing public-facilities corporations as provided in
2 Section 11-65-25 of the Illinois Municipal Code. This
3 paragraph is exempt from the provisions of Section 2-70.

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

6 (43) Merchandise that is subject to the Rental Purchase
7 Agreement Occupation and Use Tax. The purchaser must
8 certify that the item is purchased to be rented subject to
9 a rental purchase agreement, as defined in the Rental
10 Purchase Agreement Act, and provide proof of registration
11 under the Rental Purchase Agreement Occupation and Use Tax
12 Act. This paragraph is exempt from the provisions of
13 Section 2-70.

14 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;
15 100-22, eff. 7-6-17; 100-321, eff. 8-24-17; 100-437, eff.
16 1-1-18; 100-594, eff. 6-29-18; 100-863, eff. 8-14-18;
17 100-1171, eff. 1-4-19; revised 1-8-19.)

18 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

19 Sec. 2-45. Manufacturing and assembly exemption. The
20 manufacturing and assembly machinery and equipment exemption
21 includes machinery and equipment that replaces machinery and
22 equipment in an existing manufacturing facility as well as
23 machinery and equipment that are for use in an expanded or new
24 manufacturing facility.

25 The machinery and equipment exemption also includes

1 machinery and equipment used in the general maintenance or
2 repair of exempt machinery and equipment or for in-house
3 manufacture of exempt machinery and equipment. Beginning on
4 July 1, 2017, the manufacturing and assembling machinery and
5 equipment exemption also includes graphic arts machinery and
6 equipment, as defined in paragraph (4) of Section 2-5.
7 Beginning on July 1, 2019, the manufacturing and assembling
8 machinery and equipment exemption also includes production
9 related tangible personal property, as defined in this Section.

10 The machinery and equipment exemption does not include
11 machinery and equipment used in (i) the generation of
12 electricity for wholesale or retail sale; (ii) the generation
13 or treatment of natural or artificial gas for wholesale or
14 retail sale that is delivered to customers through pipes,
15 pipelines, or mains; or (iii) the treatment of water for
16 wholesale or retail sale that is delivered to customers through
17 pipes, pipelines, or mains. The provisions of this amendatory
18 Act of the 98th General Assembly are declaratory of existing
19 law as to the meaning and scope of this exemption. For the
20 purposes of this exemption, terms have the following meanings:

21 (1) "Manufacturing process" means the production of an
22 article of tangible personal property, whether the article
23 is a finished product or an article for use in the process
24 of manufacturing or assembling a different article of
25 tangible personal property, by a procedure commonly
26 regarded as manufacturing, processing, fabricating, or

1 refining that changes some existing material or materials
2 into a material with a different form, use, or name. In
3 relation to a recognized integrated business composed of a
4 series of operations that collectively constitute
5 manufacturing, or individually constitute manufacturing
6 operations, the manufacturing process commences with the
7 first operation or stage of production in the series and
8 does not end until the completion of the final product in
9 the last operation or stage of production in the series.
10 For purposes of this exemption, photoprocessing is a
11 manufacturing process of tangible personal property for
12 wholesale or retail sale.

13 (2) "Assembling process" means the production of an
14 article of tangible personal property, whether the article
15 is a finished product or an article for use in the process
16 of manufacturing or assembling a different article of
17 tangible personal property, by the combination of existing
18 materials in a manner commonly regarded as assembling that
19 results in a material of a different form, use, or name.

20 (3) "Machinery" means major mechanical machines or
21 major components of those machines contributing to a
22 manufacturing or assembling process.

23 (4) "Equipment" includes an independent device or tool
24 separate from machinery but essential to an integrated
25 manufacturing or assembly process; including computers
26 used primarily in a manufacturer's computer assisted

1 design, computer assisted manufacturing (CAD/CAM) system;
2 any subunit or assembly comprising a component of any
3 machinery or auxiliary, adjunct, or attachment parts of
4 machinery, such as tools, dies, jigs, fixtures, patterns,
5 and molds; and any parts that require periodic replacement
6 in the course of normal operation; but does not include
7 hand tools. Equipment includes chemicals or chemicals
8 acting as catalysts but only if the chemicals or chemicals
9 acting as catalysts effect a direct and immediate change
10 upon a product being manufactured or assembled for
11 wholesale or retail sale or lease.

12 (5) "Production related tangible personal property"
13 means all tangible personal property that is used or
14 consumed by the purchaser in a manufacturing facility in
15 which a manufacturing process takes place, including and
16 ~~includes, without limitation,~~ tangible personal property
17 that is purchased for incorporation into real estate within
18 a manufacturing facility and including, but not limited to,
19 tangible personal property that is used or consumed in
20 activities such as ~~research and development,~~ preproduction
21 material handling, receiving, quality control, inventory
22 control, storage, staging, and packaging for shipping and
23 transportation purposes. Tangible personal property used
24 or consumed by the purchaser for research and development
25 is considered "production related tangible personal
26 property" regardless of use within or without a

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

9 ~~The manufacturing and assembling machinery and equipment~~
10 ~~exemption includes production related tangible personal~~
11 ~~property that is purchased on or after July 1, 2007 and on or~~
12 ~~before June 30, 2008. The exemption for production related~~
13 ~~tangible personal property is subject to both of the following~~
14 ~~limitations:~~

15 ~~(1) The maximum amount of the exemption for any one~~
16 ~~taxpayer may not exceed 5% of the purchase price of~~
17 ~~production related tangible personal property that is~~
18 ~~purchased on or after July 1, 2007 and on or before June~~
19 ~~30, 2008. A credit under Section 3-85 of this Act may not~~
20 ~~be earned by the purchase of production related tangible~~
21 ~~personal property for which an exemption is received under~~
22 ~~this Section.~~

23 ~~(2) The maximum aggregate amount of the exemptions for~~
24 ~~production related tangible personal property awarded~~
25 ~~under this Act and the Use Tax Act to all taxpayers may not~~
26 ~~exceed \$10,000,000. If the claims for the exemption exceed~~

1 ~~\$10,000,000, then the Department shall reduce the amount of~~
2 ~~the exemption to each taxpayer on a pro rata basis.~~

3 ~~The Department may adopt rules to implement and administer the~~
4 ~~exemption for production related tangible personal property.~~

5 The manufacturing and assembling machinery and equipment
6 exemption includes the sale of materials to a purchaser who
7 produces exempted types of machinery, equipment, or tools and
8 who rents or leases that machinery, equipment, or tools to a
9 manufacturer of tangible personal property. This exemption
10 also includes the sale of materials to a purchaser who
11 manufactures those materials into an exempted type of
12 machinery, equipment, or tools that the purchaser uses himself
13 or herself in the manufacturing of tangible personal property.
14 The purchaser of the machinery and equipment who has an active
15 resale registration number shall furnish that number to the
16 seller at the time of purchase. A purchaser of the machinery,
17 equipment, and tools without an active resale registration
18 number shall furnish to the seller a certificate of exemption
19 for each transaction stating facts establishing the exemption
20 for that transaction, and that certificate shall be available
21 to the Department for inspection or audit. Informal rulings,
22 opinions, or letters issued by the Department in response to an
23 inquiry or request for an opinion from any person regarding the
24 coverage and applicability of this exemption to specific
25 devices shall be published, maintained as a public record, and
26 made available for public inspection and copying. If the

1 informal ruling, opinion, or letter contains trade secrets or
2 other confidential information, where possible, the Department
3 shall delete that information before publication. Whenever
4 informal rulings, opinions, or letters contain a policy of
5 general applicability, the Department shall formulate and
6 adopt that policy as a rule in accordance with the Illinois
7 Administrative Procedure Act.

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

10 (Source: P.A. 100-22, eff. 7-6-17.)

11 (35 ILCS 120/3) (from Ch. 120, par. 442)

12 Sec. 3. Except as provided in this Section, on or before
13 the twentieth day of each calendar month, every person engaged
14 in the business of selling tangible personal property at retail
15 in this State during the preceding calendar month shall file a
16 return with the Department, stating:

17 1. The name of the seller;

18 2. His residence address and the address of his
19 principal place of business and the address of the
20 principal place of business (if that is a different
21 address) from which he engages in the business of selling
22 tangible personal property at retail in this State;

23 3. Total amount of receipts received by him during the
24 preceding calendar month or quarter, as the case may be,
25 from sales of tangible personal property, and from services

1 furnished, by him during such preceding calendar month or
2 quarter;

3 4. Total amount received by him during the preceding
4 calendar month or quarter on charge and time sales of
5 tangible personal property, and from services furnished,
6 by him prior to the month or quarter for which the return
7 is filed;

8 5. Deductions allowed by law;

9 6. Gross receipts which were received by him during the
10 preceding calendar month or quarter and upon the basis of
11 which the tax is imposed;

12 7. The amount of credit provided in Section 2d of this
13 Act;

14 8. The amount of tax due;

15 9. The signature of the taxpayer; and

16 10. Such other reasonable information as the
17 Department may require.

18 On and after January 1, 2018, except for returns for motor
19 vehicles, watercraft, aircraft, and trailers that are required
20 to be registered with an agency of this State, with respect to
21 retailers whose annual gross receipts average \$20,000 or more,
22 all returns required to be filed pursuant to this Act shall be
23 filed electronically. Retailers who demonstrate that they do
24 not have access to the Internet or demonstrate hardship in
25 filing electronically may petition the Department to waive the
26 electronic filing requirement.

1 If a taxpayer fails to sign a return within 30 days after
2 the proper notice and demand for signature by the Department,
3 the return shall be considered valid and any amount shown to be
4 due on the return shall be deemed assessed.

5 Each return shall be accompanied by the statement of
6 prepaid tax issued pursuant to Section 2e for which credit is
7 claimed.

8 Prior to October 1, 2003, and on and after September 1,
9 2004 and through June 30, 2019, a retailer may accept a
10 Manufacturer's Purchase Credit certification from a purchaser
11 in satisfaction of Use Tax as provided in Section 3-85 of the
12 Use Tax Act if the purchaser provides the appropriate
13 documentation as required by Section 3-85 of the Use Tax Act. A
14 Manufacturer's Purchase Credit certification, accepted by a
15 retailer prior to October 1, 2003 and on and after September 1,
16 2004 and through June 30, 2019, as provided in Section 3-85 of
17 the Use Tax Act, may be used through June 30, 2019 by that
18 retailer to satisfy Retailers' Occupation Tax liability in the
19 amount claimed in the certification, not to exceed 6.25% of the
20 receipts subject to tax from a qualifying purchase. A
21 Manufacturer's Purchase Credit reported on any original or
22 amended return filed under this Act after October 20, 2003 for
23 reporting periods prior to September 1, 2004 shall be
24 disallowed. A Manufacturer's Purchaser Credit reported on any
25 original or amended return filed under this Act after June 30,
26 2019 shall be disallowed. Manufacturer's Purchaser Credit

1 reported on annual returns due on or after January 1, 2005 will
2 be disallowed for periods prior to September 1, 2004. A
3 Manufacturer's Purchase Credit reported on an annual return due
4 on or after January 1, 2020 shall be disallowed for periods on
5 and after July 1, 2019. No Manufacturer's Purchase Credit may
6 be used after September 30, 2003 through August 31, 2004, or
7 after June 30, 2019, to satisfy any tax liability imposed under
8 this Act, including any audit liability.

9 The Department may require returns to be filed on a
10 quarterly basis. If so required, a return for each calendar
11 quarter shall be filed on or before the twentieth day of the
12 calendar month following the end of such calendar quarter. The
13 taxpayer shall also file a return with the Department for each
14 of the first two months of each calendar quarter, on or before
15 the twentieth day of the following calendar month, stating:

16 1. The name of the seller;

17 2. The address of the principal place of business from
18 which he engages in the business of selling tangible
19 personal property at retail in this State;

20 3. The total amount of taxable receipts received by him
21 during the preceding calendar month from sales of tangible
22 personal property by him during such preceding calendar
23 month, including receipts from charge and time sales, but
24 less all deductions allowed by law;

25 4. The amount of credit provided in Section 2d of this
26 Act;

1 5. The amount of tax due; and

2 6. Such other reasonable information as the Department
3 may require.

4 Beginning on October 1, 2003, any person who is not a
5 licensed distributor, importing distributor, or manufacturer,
6 as defined in the Liquor Control Act of 1934, but is engaged in
7 the business of selling, at retail, alcoholic liquor shall file
8 a statement with the Department of Revenue, in a format and at
9 a time prescribed by the Department, showing the total amount
10 paid for alcoholic liquor purchased during the preceding month
11 and such other information as is reasonably required by the
12 Department. The Department may adopt rules to require that this
13 statement be filed in an electronic or telephonic format. Such
14 rules may provide for exceptions from the filing requirements
15 of this paragraph. For the purposes of this paragraph, the term
16 "alcoholic liquor" shall have the meaning prescribed in the
17 Liquor Control Act of 1934.

18 Beginning on October 1, 2003, every distributor, importing
19 distributor, and manufacturer of alcoholic liquor as defined in
20 the Liquor Control Act of 1934, shall file a statement with the
21 Department of Revenue, no later than the 10th day of the month
22 for the preceding month during which transactions occurred, by
23 electronic means, showing the total amount of gross receipts
24 from the sale of alcoholic liquor sold or distributed during
25 the preceding month to purchasers; identifying the purchaser to
26 whom it was sold or distributed; the purchaser's tax

1 registration number; and such other information reasonably
2 required by the Department. A distributor, importing
3 distributor, or manufacturer of alcoholic liquor must
4 personally deliver, mail, or provide by electronic means to
5 each retailer listed on the monthly statement a report
6 containing a cumulative total of that distributor's, importing
7 distributor's, or manufacturer's total sales of alcoholic
8 liquor to that retailer no later than the 10th day of the month
9 for the preceding month during which the transaction occurred.
10 The distributor, importing distributor, or manufacturer shall
11 notify the retailer as to the method by which the distributor,
12 importing distributor, or manufacturer will provide the sales
13 information. If the retailer is unable to receive the sales
14 information by electronic means, the distributor, importing
15 distributor, or manufacturer shall furnish the sales
16 information by personal delivery or by mail. For purposes of
17 this paragraph, the term "electronic means" includes, but is
18 not limited to, the use of a secure Internet website, e-mail,
19 or facsimile.

20 If a total amount of less than \$1 is payable, refundable or
21 creditable, such amount shall be disregarded if it is less than
22 50 cents and shall be increased to \$1 if it is 50 cents or more.

23 Beginning October 1, 1993, a taxpayer who has an average
24 monthly tax liability of \$150,000 or more shall make all
25 payments required by rules of the Department by electronic
26 funds transfer. Beginning October 1, 1994, a taxpayer who has

1 an average monthly tax liability of \$100,000 or more shall make
2 all payments required by rules of the Department by electronic
3 funds transfer. Beginning October 1, 1995, a taxpayer who has
4 an average monthly tax liability of \$50,000 or more shall make
5 all payments required by rules of the Department by electronic
6 funds transfer. Beginning October 1, 2000, a taxpayer who has
7 an annual tax liability of \$200,000 or more shall make all
8 payments required by rules of the Department by electronic
9 funds transfer. The term "annual tax liability" shall be the
10 sum of the taxpayer's liabilities under this Act, and under all
11 other State and local occupation and use tax laws administered
12 by the Department, for the immediately preceding calendar year.
13 The term "average monthly tax liability" shall be the sum of
14 the taxpayer's liabilities under this Act, and under all other
15 State and local occupation and use tax laws administered by the
16 Department, for the immediately preceding calendar year
17 divided by 12. Beginning on October 1, 2002, a taxpayer who has
18 a tax liability in the amount set forth in subsection (b) of
19 Section 2505-210 of the Department of Revenue Law shall make
20 all payments required by rules of the Department by electronic
21 funds transfer.

22 Before August 1 of each year beginning in 1993, the
23 Department shall notify all taxpayers required to make payments
24 by electronic funds transfer. All taxpayers required to make
25 payments by electronic funds transfer shall make those payments
26 for a minimum of one year beginning on October 1.

1 Any taxpayer not required to make payments by electronic
2 funds transfer may make payments by electronic funds transfer
3 with the permission of the Department.

4 All taxpayers required to make payment by electronic funds
5 transfer and any taxpayers authorized to voluntarily make
6 payments by electronic funds transfer shall make those payments
7 in the manner authorized by the Department.

8 The Department shall adopt such rules as are necessary to
9 effectuate a program of electronic funds transfer and the
10 requirements of this Section.

11 Any amount which is required to be shown or reported on any
12 return or other document under this Act shall, if such amount
13 is not a whole-dollar amount, be increased to the nearest
14 whole-dollar amount in any case where the fractional part of a
15 dollar is 50 cents or more, and decreased to the nearest
16 whole-dollar amount where the fractional part of a dollar is
17 less than 50 cents.

18 If the retailer is otherwise required to file a monthly
19 return and if the retailer's average monthly tax liability to
20 the Department does not exceed \$200, the Department may
21 authorize his returns to be filed on a quarter annual basis,
22 with the return for January, February and March of a given year
23 being due by April 20 of such year; with the return for April,
24 May and June of a given year being due by July 20 of such year;
25 with the return for July, August and September of a given year
26 being due by October 20 of such year, and with the return for

1 October, November and December of a given year being due by
2 January 20 of the following year.

3 If the retailer is otherwise required to file a monthly or
4 quarterly return and if the retailer's average monthly tax
5 liability with the Department does not exceed \$50, the
6 Department may authorize his returns to be filed on an annual
7 basis, with the return for a given year being due by January 20
8 of the following year.

9 Such quarter annual and annual returns, as to form and
10 substance, shall be subject to the same requirements as monthly
11 returns.

12 Notwithstanding any other provision in this Act concerning
13 the time within which a retailer may file his return, in the
14 case of any retailer who ceases to engage in a kind of business
15 which makes him responsible for filing returns under this Act,
16 such retailer shall file a final return under this Act with the
17 Department not more than one month after discontinuing such
18 business.

19 Where the same person has more than one business registered
20 with the Department under separate registrations under this
21 Act, such person may not file each return that is due as a
22 single return covering all such registered businesses, but
23 shall file separate returns for each such registered business.

24 In addition, with respect to motor vehicles, watercraft,
25 aircraft, and trailers that are required to be registered with
26 an agency of this State, except as otherwise provided in this

1 Section, every retailer selling this kind of tangible personal
2 property shall file, with the Department, upon a form to be
3 prescribed and supplied by the Department, a separate return
4 for each such item of tangible personal property which the
5 retailer sells, except that if, in the same transaction, (i) a
6 retailer of aircraft, watercraft, motor vehicles or trailers
7 transfers more than one aircraft, watercraft, motor vehicle or
8 trailer to another aircraft, watercraft, motor vehicle
9 retailer or trailer retailer for the purpose of resale or (ii)
10 a retailer of aircraft, watercraft, motor vehicles, or trailers
11 transfers more than one aircraft, watercraft, motor vehicle, or
12 trailer to a purchaser for use as a qualifying rolling stock as
13 provided in Section 2-5 of this Act, then that seller may
14 report the transfer of all aircraft, watercraft, motor vehicles
15 or trailers involved in that transaction to the Department on
16 the same uniform invoice-transaction reporting return form.
17 For purposes of this Section, "watercraft" means a Class 2,
18 Class 3, or Class 4 watercraft as defined in Section 3-2 of the
19 Boat Registration and Safety Act, a personal watercraft, or any
20 boat equipped with an inboard motor.

21 In addition, with respect to motor vehicles, watercraft,
22 aircraft, and trailers that are required to be registered with
23 an agency of this State, every person who is engaged in the
24 business of leasing or renting such items and who, in
25 connection with such business, sells any such item to a
26 retailer for the purpose of resale is, notwithstanding any

1 other provision of this Section to the contrary, authorized to
2 meet the return-filing requirement of this Act by reporting the
3 transfer of all the aircraft, watercraft, motor vehicles, or
4 trailers transferred for resale during a month to the
5 Department on the same uniform invoice-transaction reporting
6 return form on or before the 20th of the month following the
7 month in which the transfer takes place. Notwithstanding any
8 other provision of this Act to the contrary, all returns filed
9 under this paragraph must be filed by electronic means in the
10 manner and form as required by the Department.

11 Any retailer who sells only motor vehicles, watercraft,
12 aircraft, or trailers that are required to be registered with
13 an agency of this State, so that all retailers' occupation tax
14 liability is required to be reported, and is reported, on such
15 transaction reporting returns and who is not otherwise required
16 to file monthly or quarterly returns, need not file monthly or
17 quarterly returns. However, those retailers shall be required
18 to file returns on an annual basis.

19 The transaction reporting return, in the case of motor
20 vehicles or trailers that are required to be registered with an
21 agency of this State, shall be the same document as the Uniform
22 Invoice referred to in Section 5-402 of the Illinois Vehicle
23 Code and must show the name and address of the seller; the name
24 and address of the purchaser; the amount of the selling price
25 including the amount allowed by the retailer for traded-in
26 property, if any; the amount allowed by the retailer for the

1 traded-in tangible personal property, if any, to the extent to
2 which Section 1 of this Act allows an exemption for the value
3 of traded-in property; the balance payable after deducting such
4 trade-in allowance from the total selling price; the amount of
5 tax due from the retailer with respect to such transaction; the
6 amount of tax collected from the purchaser by the retailer on
7 such transaction (or satisfactory evidence that such tax is not
8 due in that particular instance, if that is claimed to be the
9 fact); the place and date of the sale; a sufficient
10 identification of the property sold; such other information as
11 is required in Section 5-402 of the Illinois Vehicle Code, and
12 such other information as the Department may reasonably
13 require.

14 The transaction reporting return in the case of watercraft
15 or aircraft must show the name and address of the seller; the
16 name and address of the purchaser; the amount of the selling
17 price including the amount allowed by the retailer for
18 traded-in property, if any; the amount allowed by the retailer
19 for the traded-in tangible personal property, if any, to the
20 extent to which Section 1 of this Act allows an exemption for
21 the value of traded-in property; the balance payable after
22 deducting such trade-in allowance from the total selling price;
23 the amount of tax due from the retailer with respect to such
24 transaction; the amount of tax collected from the purchaser by
25 the retailer on such transaction (or satisfactory evidence that
26 such tax is not due in that particular instance, if that is

1 claimed to be the fact); the place and date of the sale, a
2 sufficient identification of the property sold, and such other
3 information as the Department may reasonably require.

4 Such transaction reporting return shall be filed not later
5 than 20 days after the day of delivery of the item that is
6 being sold, but may be filed by the retailer at any time sooner
7 than that if he chooses to do so. The transaction reporting
8 return and tax remittance or proof of exemption from the
9 Illinois use tax may be transmitted to the Department by way of
10 the State agency with which, or State officer with whom the
11 tangible personal property must be titled or registered (if
12 titling or registration is required) if the Department and such
13 agency or State officer determine that this procedure will
14 expedite the processing of applications for title or
15 registration.

16 With each such transaction reporting return, the retailer
17 shall remit the proper amount of tax due (or shall submit
18 satisfactory evidence that the sale is not taxable if that is
19 the case), to the Department or its agents, whereupon the
20 Department shall issue, in the purchaser's name, a use tax
21 receipt (or a certificate of exemption if the Department is
22 satisfied that the particular sale is tax exempt) which such
23 purchaser may submit to the agency with which, or State officer
24 with whom, he must title or register the tangible personal
25 property that is involved (if titling or registration is
26 required) in support of such purchaser's application for an

1 Illinois certificate or other evidence of title or registration
2 to such tangible personal property.

3 No retailer's failure or refusal to remit tax under this
4 Act precludes a user, who has paid the proper tax to the
5 retailer, from obtaining his certificate of title or other
6 evidence of title or registration (if titling or registration
7 is required) upon satisfying the Department that such user has
8 paid the proper tax (if tax is due) to the retailer. The
9 Department shall adopt appropriate rules to carry out the
10 mandate of this paragraph.

11 If the user who would otherwise pay tax to the retailer
12 wants the transaction reporting return filed and the payment of
13 the tax or proof of exemption made to the Department before the
14 retailer is willing to take these actions and such user has not
15 paid the tax to the retailer, such user may certify to the fact
16 of such delay by the retailer and may (upon the Department
17 being satisfied of the truth of such certification) transmit
18 the information required by the transaction reporting return
19 and the remittance for tax or proof of exemption directly to
20 the Department and obtain his tax receipt or exemption
21 determination, in which event the transaction reporting return
22 and tax remittance (if a tax payment was required) shall be
23 credited by the Department to the proper retailer's account
24 with the Department, but without the 2.1% or 1.75% discount
25 provided for in this Section being allowed. When the user pays
26 the tax directly to the Department, he shall pay the tax in the

1 same amount and in the same form in which it would be remitted
2 if the tax had been remitted to the Department by the retailer.

3 Refunds made by the seller during the preceding return
4 period to purchasers, on account of tangible personal property
5 returned to the seller, shall be allowed as a deduction under
6 subdivision 5 of his monthly or quarterly return, as the case
7 may be, in case the seller had theretofore included the
8 receipts from the sale of such tangible personal property in a
9 return filed by him and had paid the tax imposed by this Act
10 with respect to such receipts.

11 Where the seller is a corporation, the return filed on
12 behalf of such corporation shall be signed by the president,
13 vice-president, secretary or treasurer or by the properly
14 accredited agent of such corporation.

15 Where the seller is a limited liability company, the return
16 filed on behalf of the limited liability company shall be
17 signed by a manager, member, or properly accredited agent of
18 the limited liability company.

19 Except as provided in this Section, the retailer filing the
20 return under this Section shall, at the time of filing such
21 return, pay to the Department the amount of tax imposed by this
22 Act less a discount of 2.1% prior to January 1, 1990 and 1.75%
23 on and after January 1, 1990, or \$5 per calendar year,
24 whichever is greater, which is allowed to reimburse the
25 retailer for the expenses incurred in keeping records,
26 preparing and filing returns, remitting the tax and supplying

1 data to the Department on request. Any prepayment made pursuant
2 to Section 2d of this Act shall be included in the amount on
3 which such 2.1% or 1.75% discount is computed. In the case of
4 retailers who report and pay the tax on a transaction by
5 transaction basis, as provided in this Section, such discount
6 shall be taken with each such tax remittance instead of when
7 such retailer files his periodic return. The discount allowed
8 under this Section is allowed only for returns that are filed
9 in the manner required by this Act. The Department may disallow
10 the discount for retailers whose certificate of registration is
11 revoked at the time the return is filed, but only if the
12 Department's decision to revoke the certificate of
13 registration has become final.

14 Before October 1, 2000, if the taxpayer's average monthly
15 tax liability to the Department under this Act, the Use Tax
16 Act, the Service Occupation Tax Act, and the Service Use Tax
17 Act, excluding any liability for prepaid sales tax to be
18 remitted in accordance with Section 2d of this Act, was \$10,000
19 or more during the preceding 4 complete calendar quarters, he
20 shall file a return with the Department each month by the 20th
21 day of the month next following the month during which such tax
22 liability is incurred and shall make payments to the Department
23 on or before the 7th, 15th, 22nd and last day of the month
24 during which such liability is incurred. On and after October
25 1, 2000, if the taxpayer's average monthly tax liability to the
26 Department under this Act, the Use Tax Act, the Service

1 Occupation Tax Act, and the Service Use Tax Act, excluding any
2 liability for prepaid sales tax to be remitted in accordance
3 with Section 2d of this Act, was \$20,000 or more during the
4 preceding 4 complete calendar quarters, he shall file a return
5 with the Department each month by the 20th day of the month
6 next following the month during which such tax liability is
7 incurred and shall make payment to the Department on or before
8 the 7th, 15th, 22nd and last day of the month during which such
9 liability is incurred. If the month during which such tax
10 liability is incurred began prior to January 1, 1985, each
11 payment shall be in an amount equal to 1/4 of the taxpayer's
12 actual liability for the month or an amount set by the
13 Department not to exceed 1/4 of the average monthly liability
14 of the taxpayer to the Department for the preceding 4 complete
15 calendar quarters (excluding the month of highest liability and
16 the month of lowest liability in such 4 quarter period). If the
17 month during which such tax liability is incurred begins on or
18 after January 1, 1985 and prior to January 1, 1987, each
19 payment shall be in an amount equal to 22.5% of the taxpayer's
20 actual liability for the month or 27.5% of the taxpayer's
21 liability for the same calendar month of the preceding year. If
22 the month during which such tax liability is incurred begins on
23 or after January 1, 1987 and prior to January 1, 1988, each
24 payment shall be in an amount equal to 22.5% of the taxpayer's
25 actual liability for the month or 26.25% of the taxpayer's
26 liability for the same calendar month of the preceding year. If

1 the month during which such tax liability is incurred begins on
2 or after January 1, 1988, and prior to January 1, 1989, or
3 begins on or after January 1, 1996, each payment shall be in an
4 amount equal to 22.5% of the taxpayer's actual liability for
5 the month or 25% of the taxpayer's liability for the same
6 calendar month of the preceding year. If the month during which
7 such tax liability is incurred begins on or after January 1,
8 1989, and prior to January 1, 1996, each payment shall be in an
9 amount equal to 22.5% of the taxpayer's actual liability for
10 the month or 25% of the taxpayer's liability for the same
11 calendar month of the preceding year or 100% of the taxpayer's
12 actual liability for the quarter monthly reporting period. The
13 amount of such quarter monthly payments shall be credited
14 against the final tax liability of the taxpayer's return for
15 that month. Before October 1, 2000, once applicable, the
16 requirement of the making of quarter monthly payments to the
17 Department by taxpayers having an average monthly tax liability
18 of \$10,000 or more as determined in the manner provided above
19 shall continue until such taxpayer's average monthly liability
20 to the Department during the preceding 4 complete calendar
21 quarters (excluding the month of highest liability and the
22 month of lowest liability) is less than \$9,000, or until such
23 taxpayer's average monthly liability to the Department as
24 computed for each calendar quarter of the 4 preceding complete
25 calendar quarter period is less than \$10,000. However, if a
26 taxpayer can show the Department that a substantial change in

1 the taxpayer's business has occurred which causes the taxpayer
2 to anticipate that his average monthly tax liability for the
3 reasonably foreseeable future will fall below the \$10,000
4 threshold stated above, then such taxpayer may petition the
5 Department for a change in such taxpayer's reporting status. On
6 and after October 1, 2000, once applicable, the requirement of
7 the making of quarter monthly payments to the Department by
8 taxpayers having an average monthly tax liability of \$20,000 or
9 more as determined in the manner provided above shall continue
10 until such taxpayer's average monthly liability to the
11 Department during the preceding 4 complete calendar quarters
12 (excluding the month of highest liability and the month of
13 lowest liability) is less than \$19,000 or until such taxpayer's
14 average monthly liability to the Department as computed for
15 each calendar quarter of the 4 preceding complete calendar
16 quarter period is less than \$20,000. However, if a taxpayer can
17 show the Department that a substantial change in the taxpayer's
18 business has occurred which causes the taxpayer to anticipate
19 that his average monthly tax liability for the reasonably
20 foreseeable future will fall below the \$20,000 threshold stated
21 above, then such taxpayer may petition the Department for a
22 change in such taxpayer's reporting status. The Department
23 shall change such taxpayer's reporting status unless it finds
24 that such change is seasonal in nature and not likely to be
25 long term. If any such quarter monthly payment is not paid at
26 the time or in the amount required by this Section, then the

1 taxpayer shall be liable for penalties and interest on the
2 difference between the minimum amount due as a payment and the
3 amount of such quarter monthly payment actually and timely
4 paid, except insofar as the taxpayer has previously made
5 payments for that month to the Department in excess of the
6 minimum payments previously due as provided in this Section.
7 The Department shall make reasonable rules and regulations to
8 govern the quarter monthly payment amount and quarter monthly
9 payment dates for taxpayers who file on other than a calendar
10 monthly basis.

11 The provisions of this paragraph apply before October 1,
12 2001. Without regard to whether a taxpayer is required to make
13 quarter monthly payments as specified above, any taxpayer who
14 is required by Section 2d of this Act to collect and remit
15 prepaid taxes and has collected prepaid taxes which average in
16 excess of \$25,000 per month during the preceding 2 complete
17 calendar quarters, shall file a return with the Department as
18 required by Section 2f and shall make payments to the
19 Department on or before the 7th, 15th, 22nd and last day of the
20 month during which such liability is incurred. If the month
21 during which such tax liability is incurred began prior to
22 September 1, 1985 (the effective date of Public Act 84-221),
23 each payment shall be in an amount not less than 22.5% of the
24 taxpayer's actual liability under Section 2d. If the month
25 during which such tax liability is incurred begins on or after
26 January 1, 1986, each payment shall be in an amount equal to

1 22.5% of the taxpayer's actual liability for the month or 27.5%
2 of the taxpayer's liability for the same calendar month of the
3 preceding calendar year. If the month during which such tax
4 liability is incurred begins on or after January 1, 1987, each
5 payment shall be in an amount equal to 22.5% of the taxpayer's
6 actual liability for the month or 26.25% of the taxpayer's
7 liability for the same calendar month of the preceding year.
8 The amount of such quarter monthly payments shall be credited
9 against the final tax liability of the taxpayer's return for
10 that month filed under this Section or Section 2f, as the case
11 may be. Once applicable, the requirement of the making of
12 quarter monthly payments to the Department pursuant to this
13 paragraph shall continue until such taxpayer's average monthly
14 prepaid tax collections during the preceding 2 complete
15 calendar quarters is \$25,000 or less. If any such quarter
16 monthly payment is not paid at the time or in the amount
17 required, the taxpayer shall be liable for penalties and
18 interest on such difference, except insofar as the taxpayer has
19 previously made payments for that month in excess of the
20 minimum payments previously due.

21 The provisions of this paragraph apply on and after October
22 1, 2001. Without regard to whether a taxpayer is required to
23 make quarter monthly payments as specified above, any taxpayer
24 who is required by Section 2d of this Act to collect and remit
25 prepaid taxes and has collected prepaid taxes that average in
26 excess of \$20,000 per month during the preceding 4 complete

1 calendar quarters shall file a return with the Department as
2 required by Section 2f and shall make payments to the
3 Department on or before the 7th, 15th, 22nd and last day of the
4 month during which the liability is incurred. Each payment
5 shall be in an amount equal to 22.5% of the taxpayer's actual
6 liability for the month or 25% of the taxpayer's liability for
7 the same calendar month of the preceding year. The amount of
8 the quarter monthly payments shall be credited against the
9 final tax liability of the taxpayer's return for that month
10 filed under this Section or Section 2f, as the case may be.
11 Once applicable, the requirement of the making of quarter
12 monthly payments to the Department pursuant to this paragraph
13 shall continue until the taxpayer's average monthly prepaid tax
14 collections during the preceding 4 complete calendar quarters
15 (excluding the month of highest liability and the month of
16 lowest liability) is less than \$19,000 or until such taxpayer's
17 average monthly liability to the Department as computed for
18 each calendar quarter of the 4 preceding complete calendar
19 quarters is less than \$20,000. If any such quarter monthly
20 payment is not paid at the time or in the amount required, the
21 taxpayer shall be liable for penalties and interest on such
22 difference, except insofar as the taxpayer has previously made
23 payments for that month in excess of the minimum payments
24 previously due.

25 If any payment provided for in this Section exceeds the
26 taxpayer's liabilities under this Act, the Use Tax Act, the

1 Service Occupation Tax Act and the Service Use Tax Act, as
2 shown on an original monthly return, the Department shall, if
3 requested by the taxpayer, issue to the taxpayer a credit
4 memorandum no later than 30 days after the date of payment. The
5 credit evidenced by such credit memorandum may be assigned by
6 the taxpayer to a similar taxpayer under this Act, the Use Tax
7 Act, the Service Occupation Tax Act or the Service Use Tax Act,
8 in accordance with reasonable rules and regulations to be
9 prescribed by the Department. If no such request is made, the
10 taxpayer may credit such excess payment against tax liability
11 subsequently to be remitted to the Department under this Act,
12 the Use Tax Act, the Service Occupation Tax Act or the Service
13 Use Tax Act, in accordance with reasonable rules and
14 regulations prescribed by the Department. If the Department
15 subsequently determined that all or any part of the credit
16 taken was not actually due to the taxpayer, the taxpayer's 2.1%
17 and 1.75% vendor's discount shall be reduced by 2.1% or 1.75%
18 of the difference between the credit taken and that actually
19 due, and that taxpayer shall be liable for penalties and
20 interest on such difference.

21 If a retailer of motor fuel is entitled to a credit under
22 Section 2d of this Act which exceeds the taxpayer's liability
23 to the Department under this Act for the month which the
24 taxpayer is filing a return, the Department shall issue the
25 taxpayer a credit memorandum for the excess.

26 Beginning January 1, 1990, each month the Department shall

1 pay into the Local Government Tax Fund, a special fund in the
2 State treasury which is hereby created, the net revenue
3 realized for the preceding month from the 1% tax imposed under
4 this Act.

5 Beginning January 1, 1990, each month the Department shall
6 pay into the County and Mass Transit District Fund, a special
7 fund in the State treasury which is hereby created, 4% of the
8 net revenue realized for the preceding month from the 6.25%
9 general rate.

10 Beginning August 1, 2000, each month the Department shall
11 pay into the County and Mass Transit District Fund 20% of the
12 net revenue realized for the preceding month from the 1.25%
13 rate on the selling price of motor fuel and gasohol. Beginning
14 September 1, 2010, each month the Department shall pay into the
15 County and Mass Transit District Fund 20% of the net revenue
16 realized for the preceding month from the 1.25% rate on the
17 selling price of sales tax holiday items.

18 Beginning January 1, 1990, each month the Department shall
19 pay into the Local Government Tax Fund 16% of the net revenue
20 realized for the preceding month from the 6.25% general rate on
21 the selling price of tangible personal property.

22 Beginning August 1, 2000, each month the Department shall
23 pay into the Local Government Tax Fund 80% of the net revenue
24 realized for the preceding month from the 1.25% rate on the
25 selling price of motor fuel and gasohol. Beginning September 1,
26 2010, each month the Department shall pay into the Local

1 Government Tax Fund 80% of the net revenue realized for the
2 preceding month from the 1.25% rate on the selling price of
3 sales tax holiday items.

4 Beginning October 1, 2009, each month the Department shall
5 pay into the Capital Projects Fund an amount that is equal to
6 an amount estimated by the Department to represent 80% of the
7 net revenue realized for the preceding month from the sale of
8 candy, grooming and hygiene products, and soft drinks that had
9 been taxed at a rate of 1% prior to September 1, 2009 but that
10 are now taxed at 6.25%.

11 Beginning July 1, 2011, each month the Department shall pay
12 into the Clean Air Act Permit Fund 80% of the net revenue
13 realized for the preceding month from the 6.25% general rate on
14 the selling price of sorbents used in Illinois in the process
15 of sorbent injection as used to comply with the Environmental
16 Protection Act or the federal Clean Air Act, but the total
17 payment into the Clean Air Act Permit Fund under this Act and
18 the Use Tax Act shall not exceed \$2,000,000 in any fiscal year.

19 Beginning July 1, 2013, each month the Department shall pay
20 into the Underground Storage Tank Fund from the proceeds
21 collected under this Act, the Use Tax Act, the Service Use Tax
22 Act, and the Service Occupation Tax Act an amount equal to the
23 average monthly deficit in the Underground Storage Tank Fund
24 during the prior year, as certified annually by the Illinois
25 Environmental Protection Agency, but the total payment into the
26 Underground Storage Tank Fund under this Act, the Use Tax Act,

1 the Service Use Tax Act, and the Service Occupation Tax Act
2 shall not exceed \$18,000,000 in any State fiscal year. As used
3 in this paragraph, the "average monthly deficit" shall be equal
4 to the difference between the average monthly claims for
5 payment by the fund and the average monthly revenues deposited
6 into the fund, excluding payments made pursuant to this
7 paragraph.

8 Beginning July 1, 2015, of the remainder of the moneys
9 received by the Department under the Use Tax Act, the Service
10 Use Tax Act, the Service Occupation Tax Act, and this Act, each
11 month the Department shall deposit \$500,000 into the State
12 Crime Laboratory Fund.

13 Of the remainder of the moneys received by the Department
14 pursuant to this Act, (a) 1.75% thereof shall be paid into the
15 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
16 and after July 1, 1989, 3.8% thereof shall be paid into the
17 Build Illinois Fund; provided, however, that if in any fiscal
18 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
19 may be, of the moneys received by the Department and required
20 to be paid into the Build Illinois Fund pursuant to this Act,
21 Section 9 of the Use Tax Act, Section 9 of the Service Use Tax
22 Act, and Section 9 of the Service Occupation Tax Act, such Acts
23 being hereinafter called the "Tax Acts" and such aggregate of
24 2.2% or 3.8%, as the case may be, of moneys being hereinafter
25 called the "Tax Act Amount", and (2) the amount transferred to
26 the Build Illinois Fund from the State and Local Sales Tax

1 Reform Fund shall be less than the Annual Specified Amount (as
2 hereinafter defined), an amount equal to the difference shall
3 be immediately paid into the Build Illinois Fund from other
4 moneys received by the Department pursuant to the Tax Acts; the
5 "Annual Specified Amount" means the amounts specified below for
6 fiscal years 1986 through 1993:

7	Fiscal Year	Annual Specified Amount
8	1986	\$54,800,000
9	1987	\$76,650,000
10	1988	\$80,480,000
11	1989	\$88,510,000
12	1990	\$115,330,000
13	1991	\$145,470,000
14	1992	\$182,730,000
15	1993	\$206,520,000;

16 and means the Certified Annual Debt Service Requirement (as
17 defined in Section 13 of the Build Illinois Bond Act) or the
18 Tax Act Amount, whichever is greater, for fiscal year 1994 and
19 each fiscal year thereafter; and further provided, that if on
20 the last business day of any month the sum of (1) the Tax Act
21 Amount required to be deposited into the Build Illinois Bond
22 Account in the Build Illinois Fund during such month and (2)
23 the amount transferred to the Build Illinois Fund from the
24 State and Local Sales Tax Reform Fund shall have been less than
25 1/12 of the Annual Specified Amount, an amount equal to the
26 difference shall be immediately paid into the Build Illinois

1 Fund from other moneys received by the Department pursuant to
2 the Tax Acts; and, further provided, that in no event shall the
3 payments required under the preceding proviso result in
4 aggregate payments into the Build Illinois Fund pursuant to
5 this clause (b) for any fiscal year in excess of the greater of
6 (i) the Tax Act Amount or (ii) the Annual Specified Amount for
7 such fiscal year. The amounts payable into the Build Illinois
8 Fund under clause (b) of the first sentence in this paragraph
9 shall be payable only until such time as the aggregate amount
10 on deposit under each trust indenture securing Bonds issued and
11 outstanding pursuant to the Build Illinois Bond Act is
12 sufficient, taking into account any future investment income,
13 to fully provide, in accordance with such indenture, for the
14 defeasance of or the payment of the principal of, premium, if
15 any, and interest on the Bonds secured by such indenture and on
16 any Bonds expected to be issued thereafter and all fees and
17 costs payable with respect thereto, all as certified by the
18 Director of the Bureau of the Budget (now Governor's Office of
19 Management and Budget). If on the last business day of any
20 month in which Bonds are outstanding pursuant to the Build
21 Illinois Bond Act, the aggregate of moneys deposited in the
22 Build Illinois Bond Account in the Build Illinois Fund in such
23 month shall be less than the amount required to be transferred
24 in such month from the Build Illinois Bond Account to the Build
25 Illinois Bond Retirement and Interest Fund pursuant to Section
26 13 of the Build Illinois Bond Act, an amount equal to such

1 deficiency shall be immediately paid from other moneys received
 2 by the Department pursuant to the Tax Acts to the Build
 3 Illinois Fund; provided, however, that any amounts paid to the
 4 Build Illinois Fund in any fiscal year pursuant to this
 5 sentence shall be deemed to constitute payments pursuant to
 6 clause (b) of the first sentence of this paragraph and shall
 7 reduce the amount otherwise payable for such fiscal year
 8 pursuant to that clause (b). The moneys received by the
 9 Department pursuant to this Act and required to be deposited
 10 into the Build Illinois Fund are subject to the pledge, claim
 11 and charge set forth in Section 12 of the Build Illinois Bond
 12 Act.

13 Subject to payment of amounts into the Build Illinois Fund
 14 as provided in the preceding paragraph or in any amendment
 15 thereto hereafter enacted, the following specified monthly
 16 installment of the amount requested in the certificate of the
 17 Chairman of the Metropolitan Pier and Exposition Authority
 18 provided under Section 8.25f of the State Finance Act, but not
 19 in excess of sums designated as "Total Deposit", shall be
 20 deposited in the aggregate from collections under Section 9 of
 21 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
 22 9 of the Service Occupation Tax Act, and Section 3 of the
 23 Retailers' Occupation Tax Act into the McCormick Place
 24 Expansion Project Fund in the specified fiscal years.

25	Fiscal Year	Total Deposit
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1	1993	\$0
2	1994	53,000,000
3	1995	58,000,000
4	1996	61,000,000
5	1997	64,000,000
6	1998	68,000,000
7	1999	71,000,000
8	2000	75,000,000
9	2001	80,000,000
10	2002	93,000,000
11	2003	99,000,000
12	2004	103,000,000
13	2005	108,000,000
14	2006	113,000,000
15	2007	119,000,000
16	2008	126,000,000
17	2009	132,000,000
18	2010	139,000,000
19	2011	146,000,000
20	2012	153,000,000
21	2013	161,000,000
22	2014	170,000,000
23	2015	179,000,000
24	2016	189,000,000
25	2017	199,000,000
26	2018	210,000,000

1	2019	221,000,000
2	2020	233,000,000
3	2021	246,000,000
4	2022	260,000,000
5	2023	275,000,000
6	2024	275,000,000
7	2025	275,000,000
8	2026	279,000,000
9	2027	292,000,000
10	2028	307,000,000
11	2029	322,000,000
12	2030	338,000,000
13	2031	350,000,000
14	2032	350,000,000

15 and
16 each fiscal year
17 thereafter that bonds
18 are outstanding under
19 Section 13.2 of the
20 Metropolitan Pier and
21 Exposition Authority Act,
22 but not after fiscal year 2060.

23 Beginning July 20, 1993 and in each month of each fiscal
24 year thereafter, one-eighth of the amount requested in the
25 certificate of the Chairman of the Metropolitan Pier and
26 Exposition Authority for that fiscal year, less the amount

1 deposited into the McCormick Place Expansion Project Fund by
2 the State Treasurer in the respective month under subsection
3 (g) of Section 13 of the Metropolitan Pier and Exposition
4 Authority Act, plus cumulative deficiencies in the deposits
5 required under this Section for previous months and years,
6 shall be deposited into the McCormick Place Expansion Project
7 Fund, until the full amount requested for the fiscal year, but
8 not in excess of the amount specified above as "Total Deposit",
9 has been deposited.

10 Subject to payment of amounts into the Build Illinois Fund
11 and the McCormick Place Expansion Project Fund pursuant to the
12 preceding paragraphs or in any amendments thereto hereafter
13 enacted, beginning July 1, 1993 and ending on September 30,
14 2013, the Department shall each month pay into the Illinois Tax
15 Increment Fund 0.27% of 80% of the net revenue realized for the
16 preceding month from the 6.25% general rate on the selling
17 price of tangible personal property.

18 Subject to payment of amounts into the Build Illinois Fund
19 and the McCormick Place Expansion Project Fund pursuant to the
20 preceding paragraphs or in any amendments thereto hereafter
21 enacted, beginning with the receipt of the first report of
22 taxes paid by an eligible business and continuing for a 25-year
23 period, the Department shall each month pay into the Energy
24 Infrastructure Fund 80% of the net revenue realized from the
25 6.25% general rate on the selling price of Illinois-mined coal
26 that was sold to an eligible business. For purposes of this

1 paragraph, the term "eligible business" means a new electric
2 generating facility certified pursuant to Section 605-332 of
3 the Department of Commerce and Economic Opportunity Law of the
4 Civil Administrative Code of Illinois.

5 Subject to payment of amounts into the Build Illinois Fund,
6 the McCormick Place Expansion Project Fund, the Illinois Tax
7 Increment Fund, and the Energy Infrastructure Fund pursuant to
8 the preceding paragraphs or in any amendments to this Section
9 hereafter enacted, beginning on the first day of the first
10 calendar month to occur on or after August 26, 2014 (the
11 effective date of Public Act 98-1098), each month, from the
12 collections made under Section 9 of the Use Tax Act, Section 9
13 of the Service Use Tax Act, Section 9 of the Service Occupation
14 Tax Act, and Section 3 of the Retailers' Occupation Tax Act,
15 the Department shall pay into the Tax Compliance and
16 Administration Fund, to be used, subject to appropriation, to
17 fund additional auditors and compliance personnel at the
18 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
19 the cash receipts collected during the preceding fiscal year by
20 the Audit Bureau of the Department under the Use Tax Act, the
21 Service Use Tax Act, the Service Occupation Tax Act, the
22 Retailers' Occupation Tax Act, and associated local occupation
23 and use taxes administered by the Department.

24 Subject to payments of amounts into the Build Illinois
25 Fund, the McCormick Place Expansion Project Fund, the Illinois
26 Tax Increment Fund, the Energy Infrastructure Fund, and the Tax

1 Compliance and Administration Fund as provided in this Section,
2 beginning on July 1, 2018 the Department shall pay each month
3 into the Downstate Public Transportation Fund the moneys
4 required to be so paid under Section 2-3 of the Downstate
5 Public Transportation Act.

6 Of the remainder of the moneys received by the Department
7 pursuant to this Act, 75% thereof shall be paid into the State
8 Treasury and 25% shall be reserved in a special account and
9 used only for the transfer to the Common School Fund as part of
10 the monthly transfer from the General Revenue Fund in
11 accordance with Section 8a of the State Finance Act.

12 The Department may, upon separate written notice to a
13 taxpayer, require the taxpayer to prepare and file with the
14 Department on a form prescribed by the Department within not
15 less than 60 days after receipt of the notice an annual
16 information return for the tax year specified in the notice.
17 Such annual return to the Department shall include a statement
18 of gross receipts as shown by the retailer's last Federal
19 income tax return. If the total receipts of the business as
20 reported in the Federal income tax return do not agree with the
21 gross receipts reported to the Department of Revenue for the
22 same period, the retailer shall attach to his annual return a
23 schedule showing a reconciliation of the 2 amounts and the
24 reasons for the difference. The retailer's annual return to the
25 Department shall also disclose the cost of goods sold by the
26 retailer during the year covered by such return, opening and

1 closing inventories of such goods for such year, costs of goods
2 used from stock or taken from stock and given away by the
3 retailer during such year, payroll information of the
4 retailer's business during such year and any additional
5 reasonable information which the Department deems would be
6 helpful in determining the accuracy of the monthly, quarterly
7 or annual returns filed by such retailer as provided for in
8 this Section.

9 If the annual information return required by this Section
10 is not filed when and as required, the taxpayer shall be liable
11 as follows:

12 (i) Until January 1, 1994, the taxpayer shall be liable
13 for a penalty equal to 1/6 of 1% of the tax due from such
14 taxpayer under this Act during the period to be covered by
15 the annual return for each month or fraction of a month
16 until such return is filed as required, the penalty to be
17 assessed and collected in the same manner as any other
18 penalty provided for in this Act.

19 (ii) On and after January 1, 1994, the taxpayer shall
20 be liable for a penalty as described in Section 3-4 of the
21 Uniform Penalty and Interest Act.

22 The chief executive officer, proprietor, owner or highest
23 ranking manager shall sign the annual return to certify the
24 accuracy of the information contained therein. Any person who
25 willfully signs the annual return containing false or
26 inaccurate information shall be guilty of perjury and punished

1 accordingly. The annual return form prescribed by the
2 Department shall include a warning that the person signing the
3 return may be liable for perjury.

4 The provisions of this Section concerning the filing of an
5 annual information return do not apply to a retailer who is not
6 required to file an income tax return with the United States
7 Government.

8 As soon as possible after the first day of each month, upon
9 certification of the Department of Revenue, the Comptroller
10 shall order transferred and the Treasurer shall transfer from
11 the General Revenue Fund to the Motor Fuel Tax Fund an amount
12 equal to 1.7% of 80% of the net revenue realized under this Act
13 for the second preceding month. Beginning April 1, 2000, this
14 transfer is no longer required and shall not be made.

15 Net revenue realized for a month shall be the revenue
16 collected by the State pursuant to this Act, less the amount
17 paid out during that month as refunds to taxpayers for
18 overpayment of liability.

19 For greater simplicity of administration, manufacturers,
20 importers and wholesalers whose products are sold at retail in
21 Illinois by numerous retailers, and who wish to do so, may
22 assume the responsibility for accounting and paying to the
23 Department all tax accruing under this Act with respect to such
24 sales, if the retailers who are affected do not make written
25 objection to the Department to this arrangement.

26 Any person who promotes, organizes, provides retail

1 selling space for concessionaires or other types of sellers at
2 the Illinois State Fair, DuQuoin State Fair, county fairs,
3 local fairs, art shows, flea markets and similar exhibitions or
4 events, including any transient merchant as defined by Section
5 2 of the Transient Merchant Act of 1987, is required to file a
6 report with the Department providing the name of the merchant's
7 business, the name of the person or persons engaged in
8 merchant's business, the permanent address and Illinois
9 Retailers Occupation Tax Registration Number of the merchant,
10 the dates and location of the event and other reasonable
11 information that the Department may require. The report must be
12 filed not later than the 20th day of the month next following
13 the month during which the event with retail sales was held.
14 Any person who fails to file a report required by this Section
15 commits a business offense and is subject to a fine not to
16 exceed \$250.

17 Any person engaged in the business of selling tangible
18 personal property at retail as a concessionaire or other type
19 of seller at the Illinois State Fair, county fairs, art shows,
20 flea markets and similar exhibitions or events, or any
21 transient merchants, as defined by Section 2 of the Transient
22 Merchant Act of 1987, may be required to make a daily report of
23 the amount of such sales to the Department and to make a daily
24 payment of the full amount of tax due. The Department shall
25 impose this requirement when it finds that there is a
26 significant risk of loss of revenue to the State at such an

1 exhibition or event. Such a finding shall be based on evidence
2 that a substantial number of concessionaires or other sellers
3 who are not residents of Illinois will be engaging in the
4 business of selling tangible personal property at retail at the
5 exhibition or event, or other evidence of a significant risk of
6 loss of revenue to the State. The Department shall notify
7 concessionaires and other sellers affected by the imposition of
8 this requirement. In the absence of notification by the
9 Department, the concessionaires and other sellers shall file
10 their returns as otherwise required in this Section.

11 (Source: P.A. 99-352, eff. 8-12-15; 99-858, eff. 8-19-16;
12 99-933, eff. 1-27-17; 100-303, eff. 8-24-17; 100-363, eff.
13 7-1-18; 100-863, eff. 8-14-18; 100-1171, eff. 1-4-19.)

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