



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB3699

Introduced 2/25/2009, by Rep. Mike Fortner

SYNOPSIS AS INTRODUCED:

See Index

Creates the Illinois Innovation Zone Act. Sets forth the findings of the General Assembly. Specifies the criteria for an area to qualify as an Innovation Zone. Contains provisions concerning the initiation of Zones by a municipality or county. Contains provisions concerning the application of a county or municipality to the Department of Commerce and Economic Opportunity for certification as a Zone. Contains provisions concerning Department review of Zone applications. Contains provisions concerning the process of certification of an area as a Zone by the Department. Contains provisions concerning the amendment and decertification of Zones. Contains provisions concerning the adoption of tax increment financing. Specifies the powers and duties of the Department. Contains provisions concerning State incentives regarding public services and physical infrastructure. Contains provisions concerning Zone administration. Contains provisions concerning (1) State regulatory exemptions in Zones, (2) State and local regulatory alternatives, and (3) exemptions from regulatory relaxation. Creates the Illinois Innovation Council and specifies its responsibilities, powers, and duties. Amends the Illinois Income Tax Act and the Economic Development for a Growing Economy Tax Credit Act to add provisions concerning tax credits for businesses located in a Zone. Amends the Use Tax Act, Service Use Tax Act, Service Occupation Tax Act, and Retailers' Occupation Tax Act to add specified exemptions concerning Zones.

LRB096 10337 MJR 20507 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning business development.

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

4 Section 1. Short title. This Act may be cited as the
5 Illinois Innovation Zone Act.

6 Section 5. Findings. The General Assembly finds that
7 Illinois faces considerable challenges as it confronts
8 increasing global competition, turbulent financial markets,
9 recessionary pressures, and mounting unemployment levels.
10 Although Illinois businesses, entrepreneurs, and institutions
11 have a rich history of innovation, other states and nations
12 have instituted major financial incentive programs
13 specifically targeted at businesses, institutions, and
14 entrepreneurs to accelerate the pace of innovation and job
15 creation. The State must continue the development of, and
16 implement new measures to, create a vibrant technology-based
17 economy in Illinois and the resultant high-skill, high-wage
18 jobs that a technology-based economy will provide for Illinois'
19 citizens. These efforts must include activities that will: (1)
20 encourage and retain entrepreneurs and our highly-skilled and
21 educated graduates and workers; (2) develop an innovation
22 culture that will sustain a technology pipeline; (3) supplement
23 the resources and expertise of local technology-based

1 companies, universities, national laboratories, hospitals and
2 health care institutions, and other institutions; (4)
3 encourage productive regional public and private sector
4 collaborations; (5) ensure a skilled,
5 technologically-competent workforce pipeline; and (6) make
6 Illinois a premier location for technology-based businesses
7 and entrepreneurs. An essential first step to accomplish these
8 goals is the establishment of geographically and strategically
9 based designated Illinois Innovation Zones and the creation of
10 an Illinois Innovation Council to help coordinate and evaluate
11 the progress of the Innovation Zones in achieving the goals of
12 this Act.

13 Section 10. Definitions. As used in this Act:

14 "Department" means the Department of Commerce and Economic
15 Opportunity.

16 "Zone" means an Innovation Zone established under this Act.

17 Section 15. Qualifications for Innovation Zones. An area is
18 qualified to become an Innovation Zone if it:

19 (1) is an existing technology park and has been
20 recognized as such by the Department, including the DuPage
21 National Technology Park, the Illinois Science +
22 Technology Park, the Chicago Technology Park, the Research
23 Park at the University of Illinois, the University
24 Technology Park at the Illinois Institute of Technology,

1 the Southern Illinois Research Park at Carbondale, the
2 University Park at Southern Illinois University
3 Edwardsville, and the Peoria NEXT Innovation Center; or

4 (2) is an area that meets all of the following
5 criteria:

6 (A) Is a contiguous area that is properly zoned for
7 commercial/industrial activity.

8 (B) Has an established partnership that is
9 comprised of an institution of higher education and a
10 combination of: private businesses; business support
11 organizations, including economic development
12 organizations and workforce development or training
13 organizations; commercial lending institutions;
14 venture capital networks, including angel investors;
15 foundations; and local or county government.

16 (C) Has a concentration of, or is targeting for,
17 development and location, technology-based businesses
18 and entrepreneurs.

19 (D) Has a primary goal of promoting innovations
20 leading to new business development and job creation
21 within a designated geographic area.

22 (E) Has sufficient infrastructure in place,
23 including human capital, to support and attract
24 technology-based businesses and entrepreneurs.

25 (F) Any additional criteria established by the
26 Department or by law that will serve to advance the

1 commercialization of the area's research and
2 development, leading to the creation of new
3 technology-based enterprises, wealth, and new job
4 creation.

5 Section 20. Initiation of Innovation Zones by a
6 municipality or county.

7 (a) No area may be designated as an Innovation Zone except
8 pursuant to an initiating ordinance adopted in accordance with
9 this Section.

10 (b) A county or municipality may by ordinance designate an
11 area within its jurisdiction as an Innovation Zone, subject to
12 the certification of the Department in accordance with this
13 Act, if:

14 (1) the area is qualified in accordance with Section
15 15; and

16 (2) the county or municipality has conducted at least
17 one public hearing within the proposed zone area on the
18 question of whether to create the zone, what local plans,
19 tax incentives, or other programs should be established in
20 connection with the Zone, and what the boundaries of the
21 Zone should be; public notice of the hearing shall be
22 published in at least one newspaper of general circulation
23 within the Zone area not more than 20 days nor less than 5
24 days before the hearing.

25 (c) An ordinance designating an area as an Innovation Zone

1 shall set forth all of the following:

2 (1) A precise description of the area comprising the
3 zone, either in the form of a legal description or by
4 reference to roadways, lakes and waterways, and township
5 and county boundaries.

6 (2) A finding that the zone area meets the
7 qualifications of Section 15.

8 (3) Provisions for any tax incentives or reimbursement
9 for taxes that pursuant to State and federal law apply to
10 business enterprises within the zone at the election of the
11 designating county or municipality and that are not
12 applicable throughout the county or municipality.

13 (4) A designation of the area as an Innovation Zone,
14 subject to the approval of the Department in accordance
15 with this Act.

16 (5) The duration or term of the Innovation Zone.

17 (d) This Section does not prohibit a municipality or county
18 from extending additional tax incentives or reimbursement for
19 business enterprises in Innovation Zones or throughout their
20 territory by separate ordinance.

21 Section 25. Application to Department. A county or
22 municipality that has adopted an ordinance designating an area
23 as an Innovation Zone shall make written application to the
24 Department to have the proposed Innovation Zone certified by
25 the Department as an Innovation Zone. The application must

1 include:

2 (1) a certified copy of the ordinance designating the
3 proposed zone;

4 (2) a map of the proposed Innovation Zone, showing
5 existing streets and highways;

6 (3) an analysis, and any appropriate supporting
7 documents and statistics, demonstrating that the proposed
8 zone area is qualified in accordance with Section 15;

9 (4) a statement detailing any tax, grant, and other
10 financial incentives or benefits, and any programs, to be
11 provided by the municipality or county to business
12 enterprises within the zone, other than those provided in
13 the designating ordinance, that are not to be provided
14 throughout the municipality or county;

15 (5) a statement setting forth the economic development
16 and planning objectives for the Zone;

17 (6) a Memorandum of Understanding or Partnership
18 Agreement executed by the entities and organizations set
19 forth in Section 15 outlining the roles, responsibilities,
20 and contributions of each partner to the Zone;

21 (7) a statement describing the functions, programs,
22 and services to be performed by designated Zone
23 organizations within the Zone;

24 (8) an estimate of the economic impact of the Zone,
25 considering all of the tax incentives, financial benefits,
26 and programs contemplated, upon the revenues of the

1 municipality or county;

2 (9) a transcript of all public hearings on the Zone;

3 and

4 (10) any additional information as the Department by
5 rule may require.

6 Section 30. Department review of Innovation Zone
7 applications.

8 (a) All applications that are to be considered under the
9 criteria in item (1) of Section 15 and acted upon by the
10 Department may be submitted to the Department once all of the
11 application requirements have been met.

12 (b) For all other applications that are to be considered
13 under the criteria in item (2) of Section 15 and acted upon by
14 the Department during a calendar year must be received by the
15 Department no later than December 31 of the preceding calendar
16 year. Any application received on or after January 1 of any
17 calendar year shall be held by the Department for consideration
18 and action during the following calendar year.

19 (c) Upon receipt of an application from a county or
20 municipality, the Department shall review the application to
21 determine whether the designated area qualifies as an
22 Innovation Zone under Section 15 of this Act.

23 (d) For applications submitted under the criteria in item
24 (1) of Section 15, the Department shall notify all applicant
25 municipalities and counties of the Department's determination

1 of the qualification of their respective designated Innovation
2 Zone areas within 60 days after receipt of a completed
3 application. For applications submitted under the criteria in
4 item (2) of Section 15, the Department shall notify all
5 applicant municipalities and counties of the Department's
6 determination of the qualification of their respective
7 designated Innovation Zone areas by no later than May 1.

8 (e) If such designated area is found to be qualified to be
9 an Innovation Zone, the Department shall publish a notice in at
10 least one newspaper of general circulation within the proposed
11 Zone area to notify the general public of the application and
12 their opportunity to comment. The notice shall include a
13 description of the area and a brief summary of the application
14 and shall indicate locations where the applicant has provided
15 copies of the application for public inspection. The notice
16 shall also indicate appropriate procedures for the filing of
17 written comments from residents, business, civic, and other
18 organizations and property owners adjacent to the proposed Zone
19 to the Department.

20 (f) Except for as provided for in subsection (a) of this
21 Section, by July 1 of each calendar year, the Department shall
22 either approve or deny all applications filed by December 31 of
23 the preceding calendar year. If an application is denied, then
24 the Department shall inform the county or municipality of the
25 specific reasons for the denial.

1 Section 35. Certification of Innovation Zones; effective
2 date.

3 (a) Approval of designated Innovation Zones shall be made
4 by the Department by certification of the designating
5 ordinance. The Department shall promptly issue a certificate
6 for each Innovation Zone upon its approval. The certificate
7 shall be signed by the Director of the Department, shall make
8 specific reference to the designating ordinance, which shall be
9 attached thereto, and shall be filed in the Office of the
10 Secretary of State. A certified copy of the Innovation Zone
11 Certificate, or a duplicate original thereof, shall be recorded
12 in the office of recorder of deeds of the county in which the
13 Innovation Zone lies.

14 (b) An Innovation Zone shall be effective upon its
15 certification. The Department shall transmit a copy of the
16 certification to the Department of Revenue and to the
17 designating municipality or county. Upon certification of an
18 Innovation Zone, the terms and provisions of the designating
19 ordinance shall be in effect, and may not be amended or
20 repealed except in accordance with Section 40.

21 (c) An Innovation Zone shall be in effect for 30 calendar
22 years or for a lesser number of years specified in the
23 certified designating ordinance. Innovation Zones shall
24 terminate at midnight of December 31 of the final calendar year
25 of the certified term, except as provided in Section 15.

26 (d) No more than 8 Innovation Zones may be certified by the

1 Department in calendar year 2010 and no more than 15 Innovation
2 Zones may exist in the State at any given time.

3 Section 40. Amendment and decertification of Innovation
4 Zones.

5 (a) The terms of a certified Innovation Zone designating
6 ordinance may be amended to do any of the following:

7 (1) Alter the boundaries of the Innovation Zones.

8 (2) Expand, limit, or repeal tax incentives or benefits
9 provided in the ordinance.

10 (3) Alter the termination date of the Zone.

11 (4) Make technical corrections in the Innovation Zone
12 designating ordinance, but such amendment shall not be
13 effective unless the Department issues an amended
14 certificate for the Innovation Zone, approving the amended
15 designating ordinance. Upon the adoption of any ordinance
16 amending or repealing the terms of a certified Innovation
17 Zone designating ordinance, the municipality or county
18 shall promptly file with the Department an application for
19 approval thereof, containing substantially the same
20 information as required for an application under Section 25
21 insofar as material to the proposed changes. The
22 municipality or county must hold a public hearing on the
23 proposed changes as specified in Section 20 and, if the
24 amendment is to effectuate the limitation of tax abatements
25 under Section 45, then the public notice of the hearing

1 shall state that property that is in both the Innovation
2 Zone and a redevelopment project area may not receive tax
3 abatements unless within 60 days after the adoption of the
4 abatement to the designating ordinance the municipality
5 has determined that eligibility for tax abatements has been
6 established,

7 (5) Include an area within another municipality or
8 county as part of the designated Innovation Zone provided
9 the requirements of Section 15 are met.

10 (6) Effectuate the limitation of tax abatements under
11 Section 45.

12 (b) The Department shall approve or disapprove a proposed
13 amendment to a certified Innovation Zone within 60 days after
14 its receipt of the application from the municipality or county.
15 The Department may not approve changes in a Zone that are not
16 in conformity with this Act or with other applicable laws. If
17 the Department issues an amended certificate for an Innovation
18 Zone, the amended certificate, together with the amended Zone
19 designating ordinance, shall be filed, recorded, and
20 transmitted as provided in Section 35.

21 (c) An Innovation Zone may be decertified by joint action
22 of the Department and the designating county or municipality in
23 accordance with this Section. The designating county or
24 municipality shall conduct at least one public hearing within
25 the Zone prior to its adoption of an ordinance of
26 de-designation. The mayor of the designating municipality or

1 the chairperson of the county board of the designating county
2 shall execute a joint decertification agreement with the
3 Department. A decertification of an Innovation Zone shall not
4 become effective until at least 6 months after the execution of
5 the decertification agreement, which shall be filed in the
6 office of the Secretary of State.

7 (d) An Innovation Zone may be decertified for cause by the
8 Department in accordance with this Section. Prior to the
9 decertification: (i) the Department shall notify the chief
10 elected official of the designating county or municipality in
11 writing of the specific deficiencies that provide cause for
12 decertification; (ii) the Department shall place the
13 designating county or municipality on probationary status for
14 at least 6 months during which time corrective action may be
15 achieved in the Innovation Zone by the designating county or
16 municipality; and (iii) the Department shall conduct at least
17 one public hearing within the Zone. If the corrective action is
18 not achieved during the probationary period, the Department
19 shall issue an amended certificate signed by the Director of
20 the Department decertifying the Innovation Zone, which
21 certificate shall be filed in the office of the Secretary of
22 State. A certified copy of the amended Innovation Zone
23 certificate, or a duplicate original thereof, shall be recorded
24 in the office of recorder of the county in which the Innovation
25 Zone lies and shall be provided to the chief elected official
26 of the designating county or municipality. Certification of an

1 Innovation Zone shall not become effective until 60 days after
2 the date of filing.

3 (e) In the event of a decertification or an amendment
4 reducing the length of the term or the area of an Innovation
5 Zone or the adoption of an ordinance reducing or eliminating
6 tax benefits in an Innovation Zone all benefits previously
7 extended within the Zone pursuant to this Act or pursuant to
8 any other Illinois law providing benefits specifically to or
9 within Innovation Zones shall remain in effect for the original
10 stated term of the Innovation Zone with respect to business
11 enterprises within the Zone on the effective date of such
12 decertification or amendment.

13 (f) Except as otherwise provided in this Act, with respect
14 to business enterprises that are proposed or under development
15 within a Zone at the time of a decertification or an amendment
16 reducing the length of the term of the Zone, or excluding from
17 the Zone area the site of the proposed enterprise, or an
18 ordinance reducing or eliminating tax benefits in a Zone, or
19 excluding from the Zone area the site of the proposed
20 enterprise, or an ordinance reducing or eliminating tax
21 benefits in a Zone, such business enterprise shall be entitled
22 to the benefits previously applicable within the Zone for the
23 original stated term of the Zone, if the business enterprise
24 establishes:

25 (1) that the proposed business enterprise expansion
26 has been committed to be located within the Zone;

1 (2) that substantial and binding financial obligations
2 have been made towards the development of the enterprise;
3 and

4 (3) that the commitments have been made in reasonable
5 reliance on the benefits and programs that were to have
6 been applicable to the enterprise by reason of the Zone,
7 including in the case of a reduction in term of a Zone, the
8 original length of the term.

9 In declaratory judgment actions under this Section, the
10 Department and the designating municipality or county shall be
11 necessary parties.

12 Section 45. Adoption of tax increment financing.

13 (a) If (i) a redevelopment project area is, will be, or has
14 been created by a municipality under Division 74.4 of the
15 Illinois Municipal Code, (ii) the redevelopment project area
16 containing property that is located in an Innovation Zone,
17 (iii) the municipality adopts an amendment to the Innovation
18 Zone designating ordinance pursuant to Section 40 of this Act
19 specifically concerning the abatement of taxes on property
20 located within a redevelopment project area created pursuant to
21 Division 74.4 of the Illinois Municipal Code, and (iv) the
22 Department certifies the ordinance amendment, then the
23 property that is located in both the Innovation Zone and the
24 redevelopment project area shall not be eligible for the
25 abatement of taxes under Section 18-170 of the Property Tax

1 Code.

2 (b) If (i) a redevelopment project is created by a
3 municipality under Division 74.4 of the Illinois Municipal Code
4 and (ii) the redevelopment project area contains property that
5 is located in an Innovation Zone, then the municipality must
6 adopt an amendment to the certified Innovation Zone designating
7 ordinance under Section 40 that property that is located in
8 both the Innovation Zone and the redevelopment project area
9 shall not be eligible for any abatement of taxes under Section
10 18-170 of the Property Tax Code for new improvements or the
11 renovation or rehabilitation of existing improvements.

12 (c) In declaratory judgment actions under this Section, the
13 Department and the designating municipality shall be necessary
14 parties.

15 Section 50. Powers and duties of Department.

16 (a) The Department shall administer this Act and shall have
17 the following powers and duties:

18 (1) To monitor the implementation of this Act and any
19 suggestions for legislation to the Director of the
20 Department and the Illinois Innovation Council by December
21 31 of every calendar year and to annually report to the
22 General Assembly employment, number of business
23 establishments, the dollar value of new construction, and
24 improvements for each Innovation Zone.

25 (2) To promulgate all necessary rules and regulations

1 to carry out the purposes of this Act in accordance with
2 the Illinois Administrative Procedure Act.

3 (b) The Department shall provide information and
4 appropriate assistance to persons desiring to locate and engage
5 in business in an Innovation Zone, to persons engage in
6 business in an Innovation Zone and to Designated Zone
7 Organizations operating there.

8 (c) The Department shall, in cooperation with appropriate
9 units of local government and State agencies, coordinate and
10 streamline existing State business assistance programs and
11 permit and license application procedures for Innovation Zone
12 businesses.

13 (d) The Department shall publicize existing tax incentives
14 and economic development programs within the Zone and upon
15 request, offer technical assistance in abatement and
16 alternative revenue source development to local units of
17 government which have Innovation Zones within their
18 jurisdiction.

19 Section 55. State incentives regarding public services and
20 physical infrastructure.

21 (a) This Act does not restrict tax incentive financing
22 pursuant to the Tax Increment Allocation Redevelopment Act.

23 (b) Priority in the use of industrial development bonds
24 issued by the Illinois Finance Authority shall be given to
25 businesses located in an Innovation Zone.

1 (c) The State Treasurer is authorized and encouraged to
2 place deposits of State funds with financial institutions doing
3 business in an Innovation Zone and to encourage angel and
4 venture capital investments in businesses created or located in
5 Innovation Zones.

6 Section 60. Zone administration. The administration of an
7 Innovation Zone shall be under the jurisdiction of the
8 designating municipality or county. Each designating
9 municipality or county shall, by ordinance, designate a Zone
10 Administrator for the certified zones within its jurisdiction.
11 The Zone Administrator must have the capacity to handle the
12 Zone's financial and administrative functions and must have the
13 expertise to facilitate the Zone's efforts at fostering
14 innovation, commercializing research, and creating
15 entrepreneurial opportunities. The Zone Administrator shall be
16 the liaison between the designating municipality or county, the
17 Department, and the Illinois Innovation Council. The Zone
18 Administrator may provide the following services or perform the
19 following functions in coordination with the municipality or
20 county:

21 (1) Provide or contract for provision of public
22 services.

23 (2) Exercise authority for the enforcement of any code,
24 permit, or licensing procedure within an Innovation Zone.

25 (3) Provide a forum for business, education, labor, and

1 government action on Zone innovations.

2 (4) Apply for regulatory relief as provided in Section
3 65 of this Act.

4 (5) Receive title to publicly owned land.

5 (6) Perform such other functions as the responsible
6 government entity may deem appropriate, including
7 offerings and contracts for insurance with businesses
8 within the Zone.

9 (7) Administer the workforce development and job
10 training fund established for the Innovation Zone in
11 accordance with Section 95 of this Act.

12 (8) Agree with local governments to provide such public
13 services within the Zones by contracting with private firms
14 and organizations, where feasible and prudent.

15 (9) Solicit and receive contributions to improve the
16 innovation assets and infrastructure in the Zone.

17 Section 65. State regulatory exemptions in Innovation
18 Zones.

19 (a) The Department shall conduct an ongoing review of such
20 agency rules that may be identified by the Department or
21 representatives of designating municipalities and counties or
22 the Illinois Innovation Council as business enterprises and
23 preliminarily appearing to the Department to:

24 (1) affect the conduct of business, industry, and
25 commerce;

1 (2) impose excessive costs on either the creation or
2 conduct of the enterprises; and

3 (3) inhibit the development and expansions of
4 enterprises within Innovation Zones. The Department shall
5 conduct hearings, pursuant to public notice, to solicit
6 public comment on such identified rules as part of this
7 review process.

8 (b) No later than August 1 of each calendar year, the
9 Department shall publish in the Illinois Register a list of
10 such rules identified pursuant to subsection (a) of this
11 Section. The Department shall transmit a copy of the list to
12 each agency that has adopted rules on the list.

13 (c) Within 90 days after the publication of the list by the
14 Department, each agency that adopted rules identified therein
15 shall file a written report with the Department detailing for
16 each identified rule:

17 (1) the need or justification;

18 (2) whether the rule is mandated by State or federal
19 law or is discretionary and to what extent;

20 (3) a synopsis of the history of the rule, including
21 any internal agency review after its original adoption; and

22 (4) any appropriate explanation of its relationship to
23 other regulatory requirements.

24 The adopting agency shall also include any available data,
25 analysis, and studies concerning the economic impact of the
26 identified rules. The agency responses shall be public records.

1 (d) No later than January 1 of the following calendar year,
2 the Department shall file proposed rules exempting business
3 enterprises within Innovation Zones from those agency rules
4 contained in the published list for which the Department finds
5 that the job creation or business development incentives for
6 Innovation Zone development engendered by the exemption
7 outweigh the need and justification for the rule. In making its
8 findings, the Department shall consider all information, data,
9 and opinions submitted to it by the public, as well as by
10 adopting agencies, as well as information otherwise available
11 to it.

12 (e) The proposed rules adopted by the Department shall be
13 in the form of amendments to the existing rules to be affected
14 and shall be subject to the Illinois Administrative Procedure
15 Act.

16 (f) Upon its effective date, any exempting rule of the
17 Department shall supersede the exempted agency rule in
18 accordance with the terms of the exemption. The exemptions may
19 apply only to business enterprises within Innovation Zones
20 during the effective term of the respective Zones. Agencies may
21 not adopt emergency rules to circumvent an exemption affected
22 by a Department exemption rule; any emergency rules shall not
23 be effective within Innovation Zones to the extent inconsistent
24 with the terms of such an exemption.

25 Section 70. State and local regulatory alternatives.

1 (a) Agencies may provide in their rules for (i) the
2 exemption of business enterprises within Innovation Zones or
3 (ii) modifications or alternatives specifically applicable to
4 business enterprises within Innovation Zones, that impose less
5 stringent standards or alternative standards for compliance,
6 including performance-based standards as a substitute for
7 specific mandates of methods, procedures, or equipment.

8 Exemptions, modifications, or alternatives shall be
9 effected by rules adopted in accordance with the Illinois
10 Administrative Procedure Act. The Agency adopting the
11 exemptions, modifications, or alternatives shall file with its
12 proposed rule its findings that the proposed rule provides
13 economic incentives within Innovation Zones that promote the
14 purposes of this Act, and that, to the extent they include any
15 exemptions or reductions in regulatory standards or
16 requirements, outweigh the need or justification for the
17 existing rule.

18 (b) If any Agency adopts a rule pursuant to subsection (a)
19 of this Section affecting a rule contained on the list
20 published by the Department pursuant to Section 65, prior to
21 the completion of the rule making process for the Department's
22 rules under that Section, the Agency shall immediately transmit
23 a copy of its proposed rule to the Department, together with a
24 statement of reasons as to why the Department should defer to
25 the Agency's proposed rule. Agency rules adopted under
26 subsection (a) of this Section shall, however, be subject to

1 the exemption rules of the Department adopted under Section 65.

2 (c) Within Innovation Zones, the designating county or
3 municipality may modify all local ordinances and regulations
4 regarding (1) zoning; (2) licensing; (3) building codes,
5 excluding however, any regulations treating building defects;
6 and (4) rent control and price controls, except for the minimum
7 wage. Notwithstanding any shorter statute of limitation to the
8 contrary, actions against any contractor or architect who
9 designs, constructs, or rehabilitates a building or structure
10 in an Innovation Zone in accordance with local standards
11 specifically applicable within Zones that have been relaxed may
12 be commenced within 10 years from the time of beneficial
13 occupancy of the building or use of the structure.

14 Section 75. Exemptions from regulatory relaxation. Section
15 65 and subsection (a) of Section 70 do not apply to rules
16 adopted pursuant to:

- 17 (1) the Environmental Protection Act;
18 (2) the Illinois Historic Preservation Act;
19 (3) the Illinois Human Rights Act;
20 (4) any successor Acts to any of the foregoing; or
21 (5) any other Acts whose purpose is the protection of
22 the environment, the preservation of historic places and
23 landmarks, or the protection of persons against
24 discrimination on the basis of race, color, religion, sex,
25 marital status, national origin, or handicap.

1 Section 95. Innovation Zone job training funds.
2 Contributions determined under the Unemployment Insurance Act
3 that are paid by employers to the State of Illinois for the
4 employees of companies located and working in a designated
5 Innovation Zone would be rebated back to the Innovation Zone
6 Administrator annually to be used for worker training programs
7 for new and existing workers of companies located in the Zone.

8 Section 110. Illinois Innovation Council.

9 (a) The Illinois Innovation Council, referred to in this
10 Act as the Council, is created to promote cooperation and
11 collaboration among the designated Innovation Zones within the
12 State. The Department shall provide support and assistance to
13 the members of the Council. The Council is charged with the
14 responsibility of assisting the Department with creating a long
15 term strategy based on innovation, designed to foster the
16 creation and growth of technology-based businesses, encourage
17 entrepreneurship and new job creation and investment, maximize
18 the State's technology-based assets and infrastructure, and
19 support public-private partnerships that can attract and
20 support these targeted job creation and investment activities.

21 (b) The Council shall be composed of the following persons:

22 (1) One representative of each Innovation Zone that has
23 been designated by the Department, selected by the Zone
24 Administrator of each respective Zone.

1 (2) One representative of each public and private
2 institution of higher education that has executed a formal
3 agreement to participate in a designated Zone or Zones,
4 selected by each institution of higher education.

5 (3) One representative of each national laboratory
6 that conducts research that can be commercialized and that
7 has executed a formal agreement to participate in a
8 designated Zone or Zones, selected by the national
9 laboratory.

10 (4) One representative of the Department, selected by
11 the Department, who shall serve as an ex officio member of
12 the Council.

13 (c) The Council has the following responsibilities and
14 powers:

15 (1) to assist the Department's efforts to identify and
16 analyze key innovation assets in the State to determine
17 their potential for job and wealth creation;

18 (2) to propose an appropriate State role in
19 technology-based economic development, technology
20 commercialization, entrepreneurial development, venture
21 capital formation, and research and development;

22 (3) to evaluate the performance of existing State
23 technology-based economic development efforts for
24 consistency, effectiveness and coordination, as well as
25 for their effect on fostering innovation and creating new
26 technology jobs, and to evaluate the long-term benefits to

1 the State of these efforts;

2 (4) to assist the Department's efforts to develop
3 geographic Zones that have unique development
4 opportunities and incentives for innovation and the
5 creation of technology jobs;

6 (5) to assist the Department's efforts to target
7 technology-based industry cluster development in the
8 State;

9 (6) to facilitate the communication, cooperation, and
10 collaboration among the State's designated Innovation
11 Zones; and

12 (7) to make specific recommendations to the
13 Department, the Governor, and the General Assembly on new
14 programs that would support innovation, technology job
15 creation, and business development in designated Zones,
16 legal or administrative rules that are hindering
17 development in the Zones, and any additional measures that
18 the State could undertake to support the development of the
19 State's innovation infrastructure and assets that support
20 the commercialization of research and new job creation.

21 (d) The Council shall meet quarterly or at the call of a
22 majority of the members or at the request of the Department.
23 Members shall serve without compensation but may be reimbursed
24 for expenses.

25 Section 900. The Illinois Income Tax Act is amended by

1 changing Section 201 and by adding Section 218 as follows:

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

3 Sec. 201. Tax Imposed.

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

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

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

18 (2) In the case of an individual, trust or estate, for
19 taxable years beginning prior to July 1, 1989 and ending
20 after June 30, 1989, an amount equal to the sum of (i) 2
21 1/2% of the taxpayer's net income for the period prior to
22 July 1, 1989, as calculated under Section 202.3, and (ii)
23 3% of the taxpayer's net income for the period after June
24 30, 1989, as calculated under Section 202.3.

25 (3) In the case of an individual, trust or estate, for

1 taxable years beginning after June 30, 1989, an amount
2 equal to 3% of the taxpayer's net income for the taxable
3 year.

4 (4) (Blank).

5 (5) (Blank).

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

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

16 (8) In the case of a corporation, for taxable years
17 beginning after June 30, 1989, an amount equal to 4.8% of
18 the taxpayer's net income for the taxable year.

19 (c) Personal Property Tax Replacement Income Tax.
20 Beginning on July 1, 1979 and thereafter, in addition to such
21 income tax, there is also hereby imposed the Personal Property
22 Tax Replacement Income Tax measured by net income on every
23 corporation (including Subchapter S corporations), partnership
24 and trust, for each taxable year ending after June 30, 1979.
25 Such taxes are imposed on the privilege of earning or receiving
26 income in or as a resident of this State. The Personal Property

1 Tax Replacement Income Tax shall be in addition to the income
2 tax imposed by subsections (a) and (b) of this Section and in
3 addition to all other occupation or privilege taxes imposed by
4 this State or by any municipal corporation or political
5 subdivision thereof.

6 (d) Additional Personal Property Tax Replacement Income
7 Tax Rates. The personal property tax replacement income tax
8 imposed by this subsection and subsection (c) of this Section
9 in the case of a corporation, other than a Subchapter S
10 corporation and except as adjusted by subsection (d-1), shall
11 be an additional amount equal to 2.85% of such taxpayer's net
12 income for the taxable year, except that beginning on January
13 1, 1981, and thereafter, the rate of 2.85% specified in this
14 subsection shall be reduced to 2.5%, and in the case of a
15 partnership, trust or a Subchapter S corporation shall be an
16 additional amount equal to 1.5% of such taxpayer's net income
17 for the taxable year.

18 (d-1) Rate reduction for certain foreign insurers. In the
19 case of a foreign insurer, as defined by Section 35A-5 of the
20 Illinois Insurance Code, whose state or country of domicile
21 imposes on insurers domiciled in Illinois a retaliatory tax
22 (excluding any insurer whose premiums from reinsurance assumed
23 are 50% or more of its total insurance premiums as determined
24 under paragraph (2) of subsection (b) of Section 304, except
25 that for purposes of this determination premiums from
26 reinsurance do not include premiums from inter-affiliate

1 reinsurance arrangements), beginning with taxable years ending
2 on or after December 31, 1999, the sum of the rates of tax
3 imposed by subsections (b) and (d) shall be reduced (but not
4 increased) to the rate at which the total amount of tax imposed
5 under this Act, net of all credits allowed under this Act,
6 shall equal (i) the total amount of tax that would be imposed
7 on the foreign insurer's net income allocable to Illinois for
8 the taxable year by such foreign insurer's state or country of
9 domicile if that net income were subject to all income taxes
10 and taxes measured by net income imposed by such foreign
11 insurer's state or country of domicile, net of all credits
12 allowed or (ii) a rate of zero if no such tax is imposed on such
13 income by the foreign insurer's state of domicile. For the
14 purposes of this subsection (d-1), an inter-affiliate includes
15 a mutual insurer under common management.

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

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

22 (B) the privilege tax imposed by Section 409 of the
23 Illinois Insurance Code, the fire insurance company
24 tax imposed by Section 12 of the Fire Investigation
25 Act, and the fire department taxes imposed under
26 Section 11-10-1 of the Illinois Municipal Code,

1 equals 1.25% for taxable years ending prior to December 31,
2 2003, or 1.75% for taxable years ending on or after
3 December 31, 2003, of the net taxable premiums written for
4 the taxable year, as described by subsection (1) of Section
5 409 of the Illinois Insurance Code. This paragraph will in
6 no event increase the rates imposed under subsections (b)
7 and (d).

8 (2) Any reduction in the rates of tax imposed by this
9 subsection shall be applied first against the rates imposed
10 by subsection (b) and only after the tax imposed by
11 subsection (a) net of all credits allowed under this
12 Section other than the credit allowed under subsection (i)
13 has been reduced to zero, against the rates imposed by
14 subsection (d).

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

17 (e) Investment credit. A taxpayer shall be allowed a credit
18 against the Personal Property Tax Replacement Income Tax for
19 investment in qualified property.

20 (1) A taxpayer shall be allowed a credit equal to .5%
21 of the basis of qualified property placed in service during
22 the taxable year, provided such property is placed in
23 service on or after July 1, 1984. There shall be allowed an
24 additional credit equal to .5% of the basis of qualified
25 property placed in service during the taxable year,
26 provided such property is placed in service on or after

1 July 1, 1986, and the taxpayer's base employment within
2 Illinois has increased by 1% or more over the preceding
3 year as determined by the taxpayer's employment records
4 filed with the Illinois Department of Employment Security.
5 Taxpayers who are new to Illinois shall be deemed to have
6 met the 1% growth in base employment for the first year in
7 which they file employment records with the Illinois
8 Department of Employment Security. The provisions added to
9 this Section by Public Act 85-1200 (and restored by Public
10 Act 87-895) shall be construed as declaratory of existing
11 law and not as a new enactment. If, in any year, the
12 increase in base employment within Illinois over the
13 preceding year is less than 1%, the additional credit shall
14 be limited to that percentage times a fraction, the
15 numerator of which is .5% and the denominator of which is
16 1%, but shall not exceed .5%. The investment credit shall
17 not be allowed to the extent that it would reduce a
18 taxpayer's liability in any tax year below zero, nor may
19 any credit for qualified property be allowed for any year
20 other than the year in which the property was placed in
21 service in Illinois. For tax years ending on or after
22 December 31, 1987, and on or before December 31, 1988, the
23 credit shall be allowed for the tax year in which the
24 property is placed in service, or, if the amount of the
25 credit exceeds the tax liability for that year, whether it
26 exceeds the original liability or the liability as later

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

26 (2) The term "qualified property" means property

1 "manufacturing" means the material staging and production
2 of tangible personal property by procedures commonly
3 regarded as manufacturing, processing, fabrication, or
4 assembling which changes some existing material into new
5 shapes, new qualities, or new combinations. For purposes of
6 this subsection (e) the term "mining" shall have the same
7 meaning as the term "mining" in Section 613(c) of the
8 Internal Revenue Code. For purposes of this subsection (e),
9 the term "retailing" means the sale of tangible personal
10 property or services rendered in conjunction with the sale
11 of tangible consumer goods or commodities.

12 (4) The basis of qualified property shall be the basis
13 used to compute the depreciation deduction for federal
14 income tax purposes.

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

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

22 (7) If during any taxable year, any property ceases to
23 be qualified property in the hands of the taxpayer within
24 48 months after being placed in service, or the situs of
25 any qualified property is moved outside Illinois within 48
26 months after being placed in service, the Personal Property

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

12 (8) Unless the investment credit is extended by law,
13 the basis of qualified property shall not include costs
14 incurred after December 31, 2008, except for costs incurred
15 pursuant to a binding contract entered into on or before
16 December 31, 2008.

17 (9) Each taxable year ending before December 31, 2000,
18 a partnership may elect to pass through to its partners the
19 credits to which the partnership is entitled under this
20 subsection (e) for the taxable year. A partner may use the
21 credit allocated to him or her under this paragraph only
22 against the tax imposed in subsections (c) and (d) of this
23 Section. If the partnership makes that election, those
24 credits shall be allocated among the partners in the
25 partnership in accordance with the rules set forth in
26 Section 704(b) of the Internal Revenue Code, and the rules

1 promulgated under that Section, and the allocated amount of
2 the credits shall be allowed to the partners for that
3 taxable year. The partnership shall make this election on
4 its Personal Property Tax Replacement Income Tax return for
5 that taxable year. The election to pass through the credits
6 shall be irrevocable.

7 For taxable years ending on or after December 31, 2000,
8 a partner that qualifies its partnership for a subtraction
9 under subparagraph (I) of paragraph (2) of subsection (d)
10 of Section 203 or a shareholder that qualifies a Subchapter
11 S corporation for a subtraction under subparagraph (S) of
12 paragraph (2) of subsection (b) of Section 203 shall be
13 allowed a credit under this subsection (e) equal to its
14 share of the credit earned under this subsection (e) during
15 the taxable year by the partnership or Subchapter S
16 corporation, determined in accordance with the
17 determination of income and distributive share of income
18 under Sections 702 and 704 and Subchapter S of the Internal
19 Revenue Code. This paragraph is exempt from the provisions
20 of Section 250.

21 (f) Investment credit; Enterprise Zone; River Edge
22 Redevelopment Zone.

23 (1) A taxpayer shall be allowed a credit against the
24 tax imposed by subsections (a) and (b) of this Section for
25 investment in qualified property which is placed in service
26 in an Enterprise Zone created pursuant to the Illinois

1 Enterprise Zone Act or, for property placed in service on
2 or after July 1, 2006, a River Edge Redevelopment Zone
3 established pursuant to the River Edge Redevelopment Zone
4 Act. For partners, shareholders of Subchapter S
5 corporations, and owners of limited liability companies,
6 if the liability company is treated as a partnership for
7 purposes of federal and State income taxation, there shall
8 be allowed a credit under this subsection (f) to be
9 determined in accordance with the determination of income
10 and distributive share of income under Sections 702 and 704
11 and Subchapter S of the Internal Revenue Code. The credit
12 shall be .5% of the basis for such property. The credit
13 shall be available only in the taxable year in which the
14 property is placed in service in the Enterprise Zone or
15 River Edge Redevelopment Zone and shall not be allowed to
16 the extent that it would reduce a taxpayer's liability for
17 the tax imposed by subsections (a) and (b) of this Section
18 to below zero. For tax years ending on or after December
19 31, 1985, the credit shall be allowed for the tax year in
20 which the property is placed in service, or, if the amount
21 of the credit exceeds the tax liability for that year,
22 whether it exceeds the original liability or the liability
23 as later amended, such excess may be carried forward and
24 applied to the tax liability of the 5 taxable years
25 following the excess credit year. The credit shall be
26 applied to the earliest year for which there is a

1 liability. If there is credit from more than one tax year
2 that is available to offset a liability, the credit
3 accruing first in time shall be applied first.

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

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

7 (B) is depreciable pursuant to Section 167 of the
8 Internal Revenue Code, except that "3-year property"
9 as defined in Section 168(c)(2)(A) of that Code is not
10 eligible for the credit provided by this subsection
11 (f);

12 (C) is acquired by purchase as defined in Section
13 179(d) of the Internal Revenue Code;

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

16 (E) has not been previously used in Illinois in
17 such a manner and by such a person as would qualify for
18 the credit provided by this subsection (f) or
19 subsection (e).

20 (3) The basis of qualified property shall be the basis
21 used to compute the depreciation deduction for federal
22 income tax purposes.

23 (4) If the basis of the property for federal income tax
24 depreciation purposes is increased after it has been placed
25 in service in the Enterprise Zone or River Edge
26 Redevelopment Zone by the taxpayer, the amount of such

1 increase shall be deemed property placed in service on the
2 date of such increase in basis.

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

5 (6) If during any taxable year, any property ceases to
6 be qualified property in the hands of the taxpayer within
7 48 months after being placed in service, or the situs of
8 any qualified property is moved outside the Enterprise Zone
9 or River Edge Redevelopment Zone within 48 months after
10 being placed in service, the tax imposed under subsections
11 (a) and (b) of this Section for such taxable year shall be
12 increased. Such increase shall be determined by (i)
13 recomputing the investment credit which would have been
14 allowed for the year in which credit for such property was
15 originally allowed by eliminating such property from such
16 computation, and (ii) subtracting such recomputed credit
17 from the amount of credit previously allowed. For the
18 purposes of this paragraph (6), a reduction of the basis of
19 qualified property resulting from a redetermination of the
20 purchase price shall be deemed a disposition of qualified
21 property to the extent of such reduction.

22 (7) There shall be allowed an additional credit equal
23 to 0.5% of the basis of qualified property placed in
24 service during the taxable year in a River Edge
25 Redevelopment Zone, provided such property is placed in
26 service on or after July 1, 2006, and the taxpayer's base

1 employment within Illinois has increased by 1% or more over
2 the preceding year as determined by the taxpayer's
3 employment records filed with the Illinois Department of
4 Employment Security. Taxpayers who are new to Illinois
5 shall be deemed to have met the 1% growth in base
6 employment for the first year in which they file employment
7 records with the Illinois Department of Employment
8 Security. If, in any year, the increase in base employment
9 within Illinois over the preceding year is less than 1%,
10 the additional credit shall be limited to that percentage
11 times a fraction, the numerator of which is 0.5% and the
12 denominator of which is 1%, but shall not exceed 0.5%.

13 (g) Jobs Tax Credit; Enterprise Zone, River Edge
14 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

15 (1) A taxpayer conducting a trade or business in an
16 enterprise zone or a High Impact Business designated by the
17 Department of Commerce and Economic Opportunity or for
18 taxable years ending on or after December 31, 2006, in a
19 River Edge Redevelopment Zone conducting a trade or
20 business in a federally designated Foreign Trade Zone or
21 Sub-Zone shall be allowed a credit against the tax imposed
22 by subsections (a) and (b) of this Section in the amount of
23 \$500 per eligible employee hired to work in the zone during
24 the taxable year.

25 (2) To qualify for the credit:

26 (A) the taxpayer must hire 5 or more eligible

1 employees to work in an enterprise zone, River Edge
2 Redevelopment Zone, or federally designated Foreign
3 Trade Zone or Sub-Zone during the taxable year;

4 (B) the taxpayer's total employment within the
5 enterprise zone, River Edge Redevelopment Zone, or
6 federally designated Foreign Trade Zone or Sub-Zone
7 must increase by 5 or more full-time employees beyond
8 the total employed in that zone at the end of the
9 previous tax year for which a jobs tax credit under
10 this Section was taken, or beyond the total employed by
11 the taxpayer as of December 31, 1985, whichever is
12 later; and

13 (C) the eligible employees must be employed 180
14 consecutive days in order to be deemed hired for
15 purposes of this subsection.

16 (3) An "eligible employee" means an employee who is:

17 (A) Certified by the Department of Commerce and
18 Economic Opportunity as "eligible for services"
19 pursuant to regulations promulgated in accordance with
20 Title II of the Job Training Partnership Act, Training
21 Services for the Disadvantaged or Title III of the Job
22 Training Partnership Act, Employment and Training
23 Assistance for Dislocated Workers Program.

24 (B) Hired after the enterprise zone, River Edge
25 Redevelopment Zone, or federally designated Foreign
26 Trade Zone or Sub-Zone was designated or the trade or

1 business was located in that zone, whichever is later.

2 (C) Employed in the enterprise zone, River Edge
3 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
4 An employee is employed in an enterprise zone or
5 federally designated Foreign Trade Zone or Sub-Zone if
6 his services are rendered there or it is the base of
7 operations for the services performed.

8 (D) A full-time employee working 30 or more hours
9 per week.

10 (4) For tax years ending on or after December 31, 1985
11 and prior to December 31, 1988, the credit shall be allowed
12 for the tax year in which the eligible employees are hired.
13 For tax years ending on or after December 31, 1988, the
14 credit shall be allowed for the tax year immediately
15 following the tax year in which the eligible employees are
16 hired. If the amount of the credit exceeds the tax
17 liability for that year, whether it exceeds the original
18 liability or the liability as later amended, such excess
19 may be carried forward and applied to the tax liability of
20 the 5 taxable years following the excess credit year. The
21 credit shall be applied to the earliest year for which
22 there is a liability. If there is credit from more than one
23 tax year that is available to offset a liability, earlier
24 credit shall be applied first.

25 (5) The Department of Revenue shall promulgate such
26 rules and regulations as may be deemed necessary to carry

1 out the purposes of this subsection (g).

2 (6) The credit shall be available for eligible
3 employees hired on or after January 1, 1986.

4 (h) Investment credit; High Impact Business.

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

1 under subdivision (a) (3) (A) of Section 5.5 of the Illinois
2 Enterprise Zone Act shall be available only in the taxable
3 year in which the property is placed in service and shall
4 not be allowed to the extent that it would reduce a
5 taxpayer's liability for the tax imposed by subsections (a)
6 and (b) of this Section to below zero. For tax years ending
7 on or after December 31, 1987, the credit shall be allowed
8 for the tax year in which the property is placed in
9 service, or, if the amount of the credit exceeds the tax
10 liability for that year, whether it exceeds the original
11 liability or the liability as later amended, such excess
12 may be carried forward and applied to the tax liability of
13 the 5 taxable years following the excess credit year. The
14 credit shall be applied to the earliest year for which
15 there is a liability. If there is credit from more than one
16 tax year that is available to offset a liability, the
17 credit accruing first in time shall be applied first.

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

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

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

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

1 eligible for the credit provided by this subsection
2 (h);

3 (C) is acquired by purchase as defined in Section
4 179(d) of the Internal Revenue Code; and

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

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

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

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

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

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

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

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

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

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

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

1 taxable year, an amended return shall be filed for such taxable
2 year to reduce the amount of credit claimed.

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

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

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

6 (k) Research and development credit.

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

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

1 which are conducted in this State, "qualifying expenditures for
2 increasing research activities in this State" means the excess
3 of qualifying expenditures for the taxable year in which
4 incurred over qualifying expenditures for the base period,
5 "qualifying expenditures for the base period" means the average
6 of the qualifying expenditures for each year in the base
7 period, and "base period" means the 3 taxable years immediately
8 preceding the taxable year for which the determination is being
9 made.

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

18 If an unused credit is carried forward to a given year from
19 2 or more earlier years, that credit arising in the earliest
20 year will be applied first against the tax liability for the
21 given year. If a tax liability for the given year still
22 remains, the credit from the next earliest year will then be
23 applied, and so on, until all credits have been used or no tax
24 liability for the given year remains. Any remaining unused
25 credit or credits then will be carried forward to the next
26 following year in which a tax liability is incurred, except

1 that no credit can be carried forward to a year which is more
2 than 5 years after the year in which the expense for which the
3 credit is given was incurred.

4 No inference shall be drawn from this amendatory Act of the
5 91st General Assembly in construing this Section for taxable
6 years beginning before January 1, 1999.

7 For tax years ending on or after December 31, 2009, an
8 Innovation Zone, as that term is defined in the Illinois
9 Innovation Zone Act, qualifies for a credit under this
10 subsection (k) for (i) research conducted after the beginning
11 of commercial production; (ii) research adapting an existing
12 product or process to a particular customer's need; (iii)
13 surveys or studies; (iv) research in social sciences, arts, or
14 humanities; or (v) research funded by another person or
15 government entity.

16 (1) Environmental Remediation Tax Credit.

17 (i) For tax years ending after December 31, 1997 and on
18 or before December 31, 2001, a taxpayer shall be allowed a
19 credit against the tax imposed by subsections (a) and (b)
20 of this Section for certain amounts paid for unreimbursed
21 eligible remediation costs, as specified in this
22 subsection. For purposes of this Section, "unreimbursed
23 eligible remediation costs" means costs approved by the
24 Illinois Environmental Protection Agency ("Agency") under
25 Section 58.14 of the Environmental Protection Act that were
26 paid in performing environmental remediation at a site for

1 which a No Further Remediation Letter was issued by the
2 Agency and recorded under Section 58.10 of the
3 Environmental Protection Act. The credit must be claimed
4 for the taxable year in which Agency approval of the
5 eligible remediation costs is granted. The credit is not
6 available to any taxpayer if the taxpayer or any related
7 party caused or contributed to, in any material respect, a
8 release of regulated substances on, in, or under the site
9 that was identified and addressed by the remedial action
10 pursuant to the Site Remediation Program of the
11 Environmental Protection Act. After the Pollution Control
12 Board rules are adopted pursuant to the Illinois
13 Administrative Procedure Act for the administration and
14 enforcement of Section 58.9 of the Environmental
15 Protection Act, determinations as to credit availability
16 for purposes of this Section shall be made consistent with
17 those rules. For purposes of this Section, "taxpayer"
18 includes a person whose tax attributes the taxpayer has
19 succeeded to under Section 381 of the Internal Revenue Code
20 and "related party" includes the persons disallowed a
21 deduction for losses by paragraphs (b), (c), and (f)(1) of
22 Section 267 of the Internal Revenue Code by virtue of being
23 a related taxpayer, as well as any of its partners. The
24 credit allowed against the tax imposed by subsections (a)
25 and (b) shall be equal to 25% of the unreimbursed eligible
26 remediation costs in excess of \$100,000 per site, except

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

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

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

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

14 (m) Education expense credit. Beginning with tax years
15 ending after December 31, 1999, a taxpayer who is the custodian
16 of one or more qualifying pupils shall be allowed a credit
17 against the tax imposed by subsections (a) and (b) of this
18 Section for qualified education expenses incurred on behalf of
19 the qualifying pupils. The credit shall be equal to 25% of
20 qualified education expenses, but in no event may the total
21 credit under this subsection claimed by a family that is the
22 custodian of qualifying pupils exceed \$500. In no event shall a
23 credit under this subsection reduce the taxpayer's liability
24 under this Act to less than zero. This subsection is exempt
25 from the provisions of Section 250 of this Act.

26 For purposes of this subsection:

1 "Qualifying pupils" means individuals who (i) are
2 residents of the State of Illinois, (ii) are under the age of
3 21 at the close of the school year for which a credit is
4 sought, and (iii) during the school year for which a credit is
5 sought were full-time pupils enrolled in a kindergarten through
6 twelfth grade education program at any school, as defined in
7 this subsection.

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

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

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

22 (n) River Edge Redevelopment Zone site remediation tax
23 credit.

24 (i) For tax years ending on or after December 31, 2006,
25 a taxpayer shall be allowed a credit against the tax
26 imposed by subsections (a) and (b) of this Section for

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

1 persons disallowed a deduction for losses by paragraphs
2 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
3 Code by virtue of being a related taxpayer, as well as any
4 of its partners. The credit allowed against the tax imposed
5 by subsections (a) and (b) shall be equal to 25% of the
6 unreimbursed eligible remediation costs in excess of
7 \$100,000 per site.

8 (ii) A credit allowed under this subsection that is
9 unused in the year the credit is earned may be carried
10 forward to each of the 5 taxable years following the year
11 for which the credit is first earned until it is used. This
12 credit shall be applied first to the earliest year for
13 which there is a liability. If there is a credit under this
14 subsection from more than one tax year that is available to
15 offset a liability, the earliest credit arising under this
16 subsection shall be applied first. A credit allowed under
17 this subsection may be sold to a buyer as part of a sale of
18 all or part of the remediation site for which the credit
19 was granted. The purchaser of a remediation site and the
20 tax credit shall succeed to the unused credit and remaining
21 carry-forward period of the seller. To perfect the
22 transfer, the assignor shall record the transfer in the
23 chain of title for the site and provide written notice to
24 the Director of the Illinois Department of Revenue of the
25 assignor's intent to sell the remediation site and the
26 amount of the tax credit to be transferred as a portion of

1 the sale. In no event may a credit be transferred to any
2 taxpayer if the taxpayer or a related party would not be
3 eligible under the provisions of subsection (i).

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

7 (iv) This subsection is exempt from the provisions of
8 Section 250.

9 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

10 (35 ILCS 5/218 new)

11 Sec. 218. Innovation Zone investment tax credit.

12 (a) Each taxpayer is entitled to a credit against the tax
13 imposed under subsections (a) and (b) of Section 201 of this
14 Act in an amount equal to 0.5% of the taxpayer's investment in
15 qualified property that is placed in service in a designated
16 Zone. Examples of qualified property include buildings,
17 structural components of buildings, elevators, materials
18 tanks, boilers, and major computer installations.

19 (b) In no event shall a credit under this Section reduce
20 the taxpayer's liability to less than zero. If the amount of
21 the credit exceeds the tax liability for the year, the excess
22 may be carried forward and applied to the tax liability of the
23 5 taxable years following the excess credit year. The tax
24 credit shall be applied to the earliest year for which there is
25 a tax liability. If there are credits for more than one year

1 that are available to offset a liability, the earlier credit
2 shall be applied first. Upon approval by the Department of
3 Revenue, the taxpayer may sell, transfer, or assign all or a
4 portion of the credit to an identified buyer.

5 (c) This Section is exempt from the provisions of Section
6 250 of this Act.

7 Section 905. The Economic Development for a Growing Economy
8 Tax Credit Act is amended by adding Section 5-23 as follows:

9 (35 ILCS 10/5-23 new)

10 Sec. 5-23. Economic development for a growing economy tax
11 credit program.

12 (a) Notwithstanding any other provision of law, any
13 Taxpayer proposing a project located or planned to be located
14 in Illinois may enter into an agreement with the Department
15 under Section 5-50 of this Act, by formal written letter of
16 request or by formal application to the Department, in which
17 the Applicant states its intent to make at least a specified
18 level of investment and intends to hire or retain a specified
19 number of full-time employees at Innovation Zone, as that term
20 is defined in the Illinois Innovation Zone Act. As
21 circumstances require, the Department may require a formal
22 application from an Applicant and a formal letter of request
23 for assistance.

24 (b) In order to qualify for Credits under this Act, an

1 Applicant's project must:

2 (1) be situated in an Innovation Zone, as that term is
3 defined in the Illinois Innovation Zone Act; and

4 (2) involve an investment of at least \$1,000,000 in
5 capital improvements to be placed in service and to employ
6 at least 5 new employees within the State as a direct
7 result of the project.

8 (c) After receipt of an application, the Department may
9 enter into an Agreement with the Applicant if the application
10 is reviewed and accepted by the Business Investment Committee
11 established in Section 5-25.

12 (d) A credit issued pursuant to this Section is equal to
13 the total tax receipts collected from State income taxes paid
14 in the previous 10 years by employees of companies located in
15 an Innovation Zone, as that term is defined in the Illinois
16 Innovation Zone Act.

17 (e) A credit issued pursuant to this Section may be
18 assigned or transferred, either in part or in full, to an
19 unidentified buyer.

20 Section 910. The Use Tax Act is amended by changing Section
21 3-5 as follows:

22 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

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

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

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

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

26 (4) Personal property purchased by a governmental body, by

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

14 (5) Until July 1, 2003, a passenger car that is a
15 replacement vehicle to the extent that the purchase price of
16 the car is subject to the Replacement Vehicle Tax.

17 (6) Until July 1, 2003 and beginning again on September 1,
18 2004, graphic arts machinery and equipment, including repair
19 and replacement parts, both new and used, and including that
20 manufactured on special order, certified by the purchaser to be
21 used primarily for graphic arts production, and including
22 machinery and equipment purchased for lease. Equipment
23 includes chemicals or chemicals acting as catalysts but only if
24 the chemicals or chemicals acting as catalysts effect a direct
25 and immediate change upon a graphic arts product.

26 (7) Farm chemicals.

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

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

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

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

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

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

20 Farm machinery and equipment also includes computers,
21 sensors, software, and related equipment used primarily in the
22 computer-assisted operation of production agriculture
23 facilities, equipment, and activities such as, but not limited
24 to, the collection, monitoring, and correlation of animal and
25 crop data for the purpose of formulating animal diets and
26 agricultural chemicals. This item (11) is exempt from the

1 provisions of Section 3-90.

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

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

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

26 (15) Photoprocessing machinery and equipment, including

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

5 (16) Until July 1, 2003, coal exploration, mining,
6 offhighway hauling, processing, maintenance, and reclamation
7 equipment, including replacement parts and equipment, and
8 including equipment purchased for lease, but excluding motor
9 vehicles required to be registered under the Illinois Vehicle
10 Code.

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

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

1 a particular purchaser.

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

7 (20) Semen used for artificial insemination of livestock
8 for direct agricultural production.

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

20 (22) Computers and communications equipment utilized for
21 any hospital purpose and equipment used in the diagnosis,
22 analysis, or treatment of hospital patients purchased by a
23 lessor who leases the equipment, under a lease of one year or
24 longer executed or in effect at the time the lessor would
25 otherwise be subject to the tax imposed by this Act, to a
26 hospital that has been issued an active tax exemption

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

17 (23) Personal property purchased by a lessor who leases the
18 property, under a lease of one year or longer executed or in
19 effect at the time the lessor would otherwise be subject to the
20 tax imposed by this Act, to a governmental body that has been
21 issued an active sales tax exemption identification number by
22 the Department under Section 1g of the Retailers' Occupation
23 Tax Act. If the property is leased in a manner that does not
24 qualify for this exemption or used in any other non-exempt
25 manner, the lessor shall be liable for the tax imposed under
26 this Act or the Service Use Tax Act, as the case may be, based

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

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

21 (25) Beginning with taxable years ending on or after
22 December 31, 1995 and ending with taxable years ending on or
23 before December 31, 2004, personal property that is used in the
24 performance of infrastructure repairs in this State, including
25 but not limited to municipal roads and streets, access roads,
26 bridges, sidewalks, waste disposal systems, water and sewer

1 line extensions, water distribution and purification
2 facilities, storm water drainage and retention facilities, and
3 sewage treatment facilities, resulting from a State or
4 federally declared disaster in Illinois or bordering Illinois
5 when such repairs are initiated on facilities located in the
6 declared disaster area within 6 months after the disaster.

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

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

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

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

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

1 coin-operated amusement and vending machines. This paragraph
2 is exempt from the provisions of Section 3-90.

3 (30) Beginning January 1, 2001 and through June 30, 2011,
4 food for human consumption that is to be consumed off the
5 premises where it is sold (other than alcoholic beverages, soft
6 drinks, and food that has been prepared for immediate
7 consumption) and prescription and nonprescription medicines,
8 drugs, medical appliances, and insulin, urine testing
9 materials, syringes, and needles used by diabetics, for human
10 use, when purchased for use by a person receiving medical
11 assistance under Article 5 of the Illinois Public Aid Code who
12 resides in a licensed long-term care facility, as defined in
13 the Nursing Home Care Act.

14 (31) Beginning on the effective date of this amendatory Act
15 of the 92nd General Assembly, computers and communications
16 equipment utilized for any hospital purpose and equipment used
17 in the diagnosis, analysis, or treatment of hospital patients
18 purchased by a lessor who leases the equipment, under a lease
19 of one year or longer executed or in effect at the time the
20 lessor would otherwise be subject to the tax imposed by this
21 Act, to a hospital that has been issued an active tax exemption
22 identification number by the Department under Section 1g of the
23 Retailers' Occupation Tax Act. If the equipment is leased in a
24 manner that does not qualify for this exemption or is used in
25 any other nonexempt manner, the lessor shall be liable for the
26 tax imposed under this Act or the Service Use Tax Act, as the

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

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

1 (however designated) that purports to reimburse that lessor for
2 the tax imposed by this Act or the Service Use Tax Act, as the
3 case may be, if the tax has not been paid by the lessor. If a
4 lessor improperly collects any such amount from the lessee, the
5 lessee shall have a legal right to claim a refund of that
6 amount from the lessor. If, however, that amount is not
7 refunded to the lessee for any reason, the lessor is liable to
8 pay that amount to the Department. This paragraph is exempt
9 from the provisions of Section 3-90.

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

1 furtherance of any commercial or industrial enterprise,
2 whether for-hire or not.

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

10 (35) Beginning January 1, 2010, tangible property that is
11 used or consumed within an Innovation Zone, as that term is
12 defined in the Illinois Innovation Zone Act, in the process of
13 manufacturing or assembly of tangible property for wholesale or
14 retail sale or lease.

15 (36) Beginning January 1, 2010, gas, electricity, and
16 telecommunication services that are purchased or used within an
17 Innovation Zone, as that term is defined in the Illinois
18 Innovation Zone Act, and have been in operation less than 8
19 years.

20 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
21 eff. 1-1-08; 95-876, eff. 8-21-08.)

22 Section 915. The Service Use Tax Act is amended by changing
23 Section 3-5 as follows:

24 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

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

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

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

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

1 number issued by the Department.

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

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

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

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

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

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

19 Farm machinery and equipment also includes computers,
20 sensors, software, and related equipment used primarily in the
21 computer-assisted operation of production agriculture
22 facilities, equipment, and activities such as, but not limited
23 to, the collection, monitoring, and correlation of animal and
24 crop data for the purpose of formulating animal diets and
25 agricultural chemicals. This item (7) is exempt from the
26 provisions of Section 3-75.

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

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

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

26 (11) Proceeds from the sale of photoprocessing machinery

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

6 (12) Until July 1, 2003, coal exploration, mining,
7 offhighway hauling, processing, maintenance, and reclamation
8 equipment, including replacement parts and equipment, and
9 including equipment purchased for lease, but excluding motor
10 vehicles required to be registered under the Illinois Vehicle
11 Code.

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

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

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

23 (16) Personal property purchased by a lessor who leases the
24 property, under a lease of one year or longer executed or in
25 effect at the time the lessor would otherwise be subject to the
26 tax imposed by this Act, to a governmental body that has been

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

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

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

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

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

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

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

25 (22) Beginning January 1, 2000 and through December 31,
26 2001, new or used automatic vending machines that prepare and

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

9 (23) Beginning August 23, 2001 and through June 30, 2011,
10 food for human consumption that is to be consumed off the
11 premises where it is sold (other than alcoholic beverages, soft
12 drinks, and food that has been prepared for immediate
13 consumption) and prescription and nonprescription medicines,
14 drugs, medical appliances, and insulin, urine testing
15 materials, syringes, and needles used by diabetics, for human
16 use, when purchased for use by a person receiving medical
17 assistance under Article 5 of the Illinois Public Aid Code who
18 resides in a licensed long-term care facility, as defined in
19 the Nursing Home Care Act.

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

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

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

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

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

21 (27) Beginning January 1, 2010, tangible property that is
22 used or consumed within an Innovation Zone, as that term is
23 defined in the Illinois Innovation Zone Act, in the process of
24 manufacturing or assembly of tangible property for wholesale or
25 retail sale or lease.

26 (28) Beginning January 1, 2010, gas, electricity, and

1 telecommunication services that are purchased or used within an
2 Innovation Zone, as that term is defined in the Illinois
3 Innovation Zone Act, and have been in operation less than 8
4 years.

5 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
6 eff. 1-1-08; 95-876, eff. 8-21-08.)

7 Section 920. The Service Occupation Tax Act is amended by
8 changing Section 3-5 as follows:

9 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

22 (3) Personal property purchased by any not-for-profit arts
23 or cultural organization that establishes, by proof required by
24 the Department by rule, that it has received an exemption under

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

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

17 (5) Until July 1, 2003 and beginning again on September 1,
18 2004, graphic arts machinery and equipment, including repair
19 and replacement parts, both new and used, and including that
20 manufactured on special order or purchased for lease, certified
21 by the purchaser to be used primarily for graphic arts
22 production. Equipment includes chemicals or chemicals acting
23 as catalysts but only if the chemicals or chemicals acting as
24 catalysts effect a direct and immediate change upon a graphic
25 arts product.

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

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

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

22 Farm machinery and equipment shall include precision
23 farming equipment that is installed or purchased to be
24 installed on farm machinery and equipment including, but not
25 limited to, tractors, harvesters, sprayers, planters, seeders,
26 or spreaders. Precision farming equipment includes, but is not

1 limited to, soil testing sensors, computers, monitors,
2 software, global positioning and mapping systems, and other
3 such equipment.

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

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

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

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

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

15 (12) Until July 1, 2003, coal exploration, mining,
16 offhighway hauling, processing, maintenance, and reclamation
17 equipment, including replacement parts and equipment, and
18 including equipment purchased for lease, but excluding motor
19 vehicles required to be registered under the Illinois Vehicle
20 Code.

21 (13) Beginning January 1, 1992 and through June 30, 2011,
22 food for human consumption that is to be consumed off the
23 premises where it is sold (other than alcoholic beverages, soft
24 drinks and food that has been prepared for immediate
25 consumption) and prescription and non-prescription medicines,
26 drugs, medical appliances, and insulin, urine testing

1 materials, syringes, and needles used by diabetics, for human
2 use, when purchased for use by a person receiving medical
3 assistance under Article 5 of the Illinois Public Aid Code who
4 resides in a licensed long-term care facility, as defined in
5 the Nursing Home Care Act.

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

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

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

1 Retailers' Occupation Tax Act.

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

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

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

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

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

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

1 industrial, business, or commercial occupation.

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

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

26 (24) Beginning on the effective date of this amendatory Act

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

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

18 (26) Beginning on January 1, 2002 and through June 30,
19 2011, tangible personal property purchased from an Illinois
20 retailer by a taxpayer engaged in centralized purchasing
21 activities in Illinois who will, upon receipt of the property
22 in Illinois, temporarily store the property in Illinois (i) for
23 the purpose of subsequently transporting it outside this State
24 for use or consumption thereafter solely outside this State or
25 (ii) for the purpose of being processed, fabricated, or
26 manufactured into, attached to, or incorporated into other

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

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

22 (28) Beginning January 1, 2010, tangible property that is
23 used or consumed within an Innovation Zone, as that term is
24 defined in the Illinois Innovation Zone Act, in the process of
25 manufacturing or assembly of tangible property for wholesale or
26 retail sale or lease.

1 (29) Beginning January 1, 2010, gas, electricity, and
2 telecommunication services that are purchased or used within an
3 Innovation Zone, as that term is defined in the Illinois
4 Innovation Zone Act, and have been in operation less than 8
5 years.

6 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
7 eff. 1-1-08; 95-876, eff. 8-21-08.)

8 Section 925. The Retailers' Occupation Tax Act is amended
9 by changing Section 2-5 as follows:

10 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

14 (1) Farm chemicals.

15 (2) Farm machinery and equipment, both new and used,
16 including that manufactured on special order, certified by the
17 purchaser to be used primarily for production agriculture or
18 State or federal agricultural programs, including individual
19 replacement parts for the machinery and equipment, including
20 machinery and equipment purchased for lease, and including
21 implements of husbandry defined in Section 1-130 of the
22 Illinois Vehicle Code, farm machinery and agricultural
23 chemical and fertilizer spreaders, and nurse wagons required to
24 be registered under Section 3-809 of the Illinois Vehicle Code,

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

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

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

26 (3) Until July 1, 2003, distillation machinery and

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

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

15 (5) A motor vehicle of the first division, a motor vehicle
16 of the second division that is a self contained motor vehicle
17 designed or permanently converted to provide living quarters
18 for recreational, camping, or travel use, with direct walk
19 through access to the living quarters from the driver's seat,
20 or a motor vehicle of the second division that is of the van
21 configuration designed for the transportation of not less than
22 7 nor more than 16 passengers, as defined in Section 1-146 of
23 the Illinois Vehicle Code, that is used for automobile renting,
24 as defined in the Automobile Renting Occupation and Use Tax
25 Act. This paragraph is exempt from the provisions of Section
26 2-70.

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

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

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

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

25 (10) Personal property sold by a corporation, society,
26 association, foundation, institution, or organization, other

1 than a limited liability company, that is organized and
2 operated as a not-for-profit service enterprise for the benefit
3 of persons 65 years of age or older if the personal property
4 was not purchased by the enterprise for the purpose of resale
5 by the enterprise.

6 (11) Personal property sold to a governmental body, to a
7 corporation, society, association, foundation, or institution
8 organized and operated exclusively for charitable, religious,
9 or educational purposes, or to a not-for-profit corporation,
10 society, association, foundation, institution, or organization
11 that has no compensated officers or employees and that is
12 organized and operated primarily for the recreation of persons
13 55 years of age or older. A limited liability company may
14 qualify for the exemption under this paragraph only if the
15 limited liability company is organized and operated
16 exclusively for educational purposes. On and after July 1,
17 1987, 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) Tangible personal property sold to interstate
21 carriers for hire for use as rolling stock moving in interstate
22 commerce or to lessors under leases of one year or longer
23 executed or in effect at the time of purchase by interstate
24 carriers for hire for use as rolling stock moving in interstate
25 commerce and equipment operated by a telecommunications
26 provider, licensed as a common carrier by the Federal

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

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

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

1 or affixed to aircraft moving in interstate commerce.

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

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

21 (16) Petroleum products sold to a purchaser if the seller
22 is prohibited by federal law from charging tax to the
23 purchaser.

24 (17) Tangible personal property sold to a common carrier by
25 rail or motor that receives the physical possession of the
26 property in Illinois and that transports the property, or

1 shares with another common carrier in the transportation of the
2 property, out of Illinois on a standard uniform bill of lading
3 showing the seller of the property as the shipper or consignor
4 of the property to a destination outside Illinois, for use
5 outside Illinois.

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

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

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

24 (21) Until July 1, 2003, coal exploration, mining,
25 offhighway hauling, processing, maintenance, and reclamation
26 equipment, including replacement parts and equipment, and

1 including equipment purchased for lease, but excluding motor
2 vehicles required to be registered under the Illinois Vehicle
3 Code.

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

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

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

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

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

6 (25-5) The exemption under item (25) does not apply if the
7 state in which the motor vehicle will be titled does not allow
8 a reciprocal exemption for a motor vehicle sold and delivered
9 in that state to an Illinois resident but titled in Illinois.
10 The tax collected under this Act on the sale of a motor vehicle
11 in this State to a resident of another state that does not
12 allow a reciprocal exemption shall be imposed at a rate equal
13 to the state's rate of tax on taxable property in the state in
14 which the purchaser is a resident, except that the tax shall
15 not exceed the tax that would otherwise be imposed under this
16 Act. At the time of the sale, the purchaser shall execute a
17 statement, signed under penalty of perjury, of his or her
18 intent to title the vehicle in the state in which the purchaser
19 is a resident within 30 days after the sale and of the fact of
20 the payment to the State of Illinois of tax in an amount
21 equivalent to the state's rate of tax on taxable property in
22 his or her state of residence and shall submit the statement to
23 the appropriate tax collection agency in his or her state of
24 residence. In addition, the retailer must retain a signed copy
25 of the statement in his or her records. Nothing in this item
26 shall be construed to require the removal of the vehicle from

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

8 (25-7) Beginning on July 1, 2007, no tax is imposed under
9 this Act on the sale of an aircraft, as defined in Section 3 of
10 the Illinois Aeronautics Act, if all of the following
11 conditions are met:

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

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

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

1 the address of the primary physical location of the
2 aircraft, and other information that the Department may
3 reasonably require.

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

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

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

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

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

17 (27) Horses, or interests in horses, registered with and
18 meeting the requirements of any of the Arabian Horse Club
19 Registry of America, Appaloosa Horse Club, American Quarter
20 Horse Association, United States Trotting Association, or
21 Jockey Club, as appropriate, used for purposes of breeding or
22 racing for prizes. This item (27) is exempt from the provisions
23 of Section 2-70, and the exemption provided for under this item
24 (27) applies for all periods beginning May 30, 1995, but no
25 claim for credit or refund is allowed on or after January 1,
26 2008 (the effective date of Public Act 95-88) for such taxes

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

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

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

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

26 (31) Beginning with taxable years ending on or after

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

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

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

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

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

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

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

8 (35-5) Beginning August 23, 2001 and through June 30, 2011,
9 food for human consumption that is to be consumed off the
10 premises where it is sold (other than alcoholic beverages, soft
11 drinks, and food that has been prepared for immediate
12 consumption) and prescription and nonprescription medicines,
13 drugs, medical appliances, and insulin, urine testing
14 materials, syringes, and needles used by diabetics, for human
15 use, when purchased for use by a person receiving medical
16 assistance under Article 5 of the Illinois Public Aid Code who
17 resides in a licensed long-term care facility, as defined in
18 the Nursing Home Care Act.

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

1 provisions of Section 2-70.

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

9 (38) Beginning on January 1, 2002 and through June 30,
10 2011, tangible personal property purchased from an Illinois
11 retailer by a taxpayer engaged in centralized purchasing
12 activities in Illinois who will, upon receipt of the property
13 in Illinois, temporarily store the property in Illinois (i) for
14 the purpose of subsequently transporting it outside this State
15 for use or consumption thereafter solely outside this State or
16 (ii) for the purpose of being processed, fabricated, or
17 manufactured into, attached to, or incorporated into other
18 tangible personal property to be transported outside this State
19 and thereafter used or consumed solely outside this State. The
20 Director of Revenue shall, pursuant to rules adopted in
21 accordance with the Illinois Administrative Procedure Act,
22 issue a permit to any taxpayer in good standing with the
23 Department who is eligible for the exemption under this
24 paragraph (38). The permit issued under this paragraph (38)
25 shall authorize the holder, to the extent and in the manner
26 specified in the rules adopted under this Act, to purchase

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

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

13 (40) Beginning January 1, 2010, tangible property that is
14 used or consumed within an Innovation Zone, as that term is
15 defined in the Illinois Innovation Zone Act, in the process of
16 manufacturing or assembly of tangible property for wholesale or
17 retail sale or lease.

18 (41) Beginning January 1, 2010, gas, electricity, and
19 telecommunication services that are purchased or used within an
20 Innovation Zone, as that term is defined in the Illinois
21 Innovation Zone Act, and have been in operation less than 8
22 years.

23 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-233,
24 eff. 8-16-07; 95-304, eff. 8-20-07; 95-538, eff. 1-1-08;
25 95-707, eff. 1-11-08; 95-876, eff. 8-21-08.)

1		INDEX
2		Statutes amended in order of appearance
3	New Act	
4	35 ILCS 5/201	from Ch. 120, par. 2-201
5	35 ILCS 5/218 new	
6	35 ILCS 10/5-23 new	
7	35 ILCS 105/3-5	from Ch. 120, par. 439.3-5
8	35 ILCS 110/3-5	from Ch. 120, par. 439.33-5
9	35 ILCS 115/3-5	from Ch. 120, par. 439.103-5
10	35 ILCS 120/2-5	from Ch. 120, par. 441-5