

1 AN ACT concerning State government.

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. There are certain areas in this State that need the
20 particular attention of government, business, advanced
21 sciences, and the citizens of Illinois to help attract
22 investments in the advanced sciences for these areas, to
23 directly aid the local community and its residents, and to

1 expand the body of fundamental knowledge. These efforts must
2 include activities that will: (1) encourage and retain
3 entrepreneurs and our highly skilled and educated graduates and
4 workers; (2) develop an innovation culture that will sustain a
5 technology pipeline; (3) supplement the resources and
6 expertise of local technology-based companies, universities,
7 national laboratories, hospitals and health care institutions,
8 and other institutions; (4) encourage productive regional
9 public and private sector collaborations; (5) ensure a skilled,
10 technologically competent workforce pipeline; and (6) make
11 Illinois a premier location for technology-based businesses
12 and entrepreneurs. An essential first step to accomplish these
13 goals is the establishment of geographically and strategically
14 based designated Illinois Innovation Zones and the creation of
15 an Illinois Innovation Council to help coordinate and evaluate
16 the progress of the Innovation Zones in achieving the goals of
17 this Act.

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

19 "Business" means a for-profit or not-for-profit or
20 non-profit legal entity located in an Innovation Zone
21 including, but not limited to, any sole proprietorship,
22 partnership, corporation, joint venture, association, or
23 cooperative.

24 "Department" means the Department of Commerce and Economic
25 Opportunity.

1 "Financial institution" means a trust company, a bank, a
2 savings bank, a credit union, an investment bank, a broker, an
3 investment trust, a pension fund, a building and loan
4 association, a savings and loan association, an insurance
5 company, or any venture capital company that is authorized to
6 do business in this State.

7 "Loan" means an agreement or contract to provide a loan or
8 other financial aid to a business.

9 "Participating lender" means a financial institution
10 approved by the Department that assumes a portion of the
11 financing for a business project.

12 "Project" means any specific economic development activity
13 of a commercial, industrial, manufacturing, agricultural,
14 healthcare or health services, scientific, service, or other
15 business in an Innovation Zone, the result of which yields an
16 increase in jobs and may include the purchase or lease of
17 machinery and equipment, the lease or purchase of real property
18 or funds for infrastructure necessitated by site preparation,
19 building construction, or related purposes. "Project" does not
20 include refinancing current debt.

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

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

24 (1) is an existing technology park and has been
25 recognized as such by the Department, including the DuPage

1 National Technology Park, the Illinois Science +
2 Technology Park, the Chicago Technology Park, the Research
3 Park at the University of Illinois, the University
4 Technology Park at the Illinois Institute of Technology,
5 the Southern Illinois Research Park at Carbondale, the
6 University Park at Southern Illinois University
7 Edwardsville, and the Peoria NEXT Innovation Center; or

8 (2) is an area that meets all of the following
9 criteria:

10 (A) Is a contiguous area that is properly zoned for
11 commercial/industrial activity, but a zone area may
12 exclude wholly surrounded territory within its
13 boundaries.

14 (B) Has an established partnership that is
15 comprised of an institution of higher education and a
16 combination of: private businesses; business support
17 organizations, including economic development
18 organizations and workforce development or training
19 organizations; commercial lending institutions;
20 venture capital networks, including angel investors;
21 foundations; and local or county government.

22 (C) Has a concentration of, or is targeting for,
23 development and location, technology-based businesses
24 and entrepreneurs.

25 (D) Has a primary goal of promoting innovations
26 leading to new business development or business

1 expansion and retention and job creation or retention
2 within a designated geographic area.

3 (E) Has sufficient infrastructure in place,
4 including human capital, to support and attract
5 technology-based businesses and entrepreneurs.

6 (F) Any additional criteria established by the
7 Department or by law that will serve to advance the
8 commercialization of the area's research and
9 development, leading to the creation of new
10 technology-based enterprises, wealth, and new job
11 creation.

12 Section 20. Initiation of Innovation Zones by a
13 municipality or county.

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

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

21 (1) the area is qualified in accordance with Section
22 15; and

23 (2) the county or municipality has conducted at least
24 one public hearing within the proposed zone area on the
25 question of whether to create the zone, what local plans,

1 tax incentives, or other programs should be established in
2 connection with the Zone, and what the boundaries of the
3 Zone should be; public notice of the hearing shall be
4 published in at least one newspaper of general circulation
5 within the Zone area not more than 20 days nor less than 5
6 days before the hearing.

7 (c) An ordinance designating an area as an Innovation Zone
8 shall set forth all of the following:

9 (1) A precise description of the area comprising the
10 zone, either in the form of a legal description or by
11 reference to roadways, lakes and waterways, and township
12 and county boundaries.

13 (2) A finding that the zone area meets the
14 qualifications of Section 15.

15 (3) Provisions for any tax incentives or reimbursement
16 for taxes that pursuant to State and federal law apply to
17 business enterprises within the zone at the election of the
18 designating county or municipality and that are not
19 applicable throughout the county or municipality.

20 (4) A designation of the area as an Innovation Zone,
21 subject to the approval of the Department in accordance
22 with this Act.

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

24 (d) This Section does not prohibit a municipality or county
25 from extending additional tax incentives or reimbursement for
26 business enterprises in Innovation Zones or throughout their

1 territory by separate ordinance.

2 Section 25. Application to Department. A county or
3 municipality that has adopted an ordinance designating an area
4 as an Innovation Zone shall make written application to the
5 Department to have the proposed Innovation Zone certified by
6 the Department as an Innovation Zone. The application must
7 include:

8 (1) a certified copy of the ordinance designating the
9 proposed zone;

10 (2) a map of the proposed Innovation Zone, showing
11 existing streets and highways, the total area, and present
12 use and conditions generally of the land and structures
13 within those boundaries;

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

17 (4) a statement detailing any tax, grant, and other
18 financial incentives or benefits, and any programs, to be
19 provided by the municipality or county to business
20 enterprises within the zone, other than those provided in
21 the designating ordinance, that are not to be provided
22 throughout the municipality or county;

23 (5) a statement setting forth the economic development
24 and planning objectives for the Zone, such as a description
25 of the methods proposed to increase economic development

1 and expansion, to facilitate infrastructure improvement,
2 to reduce the local regulatory burden, and to identify job
3 training opportunities;

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

8 (7) a statement describing the functions, programs,
9 and services to be performed by designated Zone
10 organizations within the Zone;

11 (8) an estimate of the economic impact of the Zone,
12 considering all of the tax incentives, financial benefits,
13 and programs contemplated, upon the revenues of the
14 municipality or county;

15 (9) a transcript of all public hearings on the Zone;
16 and

17 (10) any additional information as the Department by
18 rule may require.

19 Section 30. Department review of Innovation Zone
20 applications.

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

25 (b) For all other applications that are to be considered

1 under the criteria in item (2) of Section 15 and acted upon by
2 the Department during a calendar year must be received by the
3 Department no later than December 31 of the preceding calendar
4 year. Any application received on or after January 1 of any
5 calendar year shall be held by the Department for consideration
6 and action during the following calendar year.

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

11 (d) For applications submitted under the criteria in item
12 (1) of Section 15, the Department shall notify all applicant
13 municipalities and counties of the Department's determination
14 of the qualification of their respective designated Innovation
15 Zone areas within 60 days after receipt of a completed
16 application. For applications submitted under the criteria in
17 item (2) of Section 15, the Department shall notify all
18 applicant municipalities and counties of the Department's
19 determination of the qualification of their respective
20 designated Innovation Zone areas by no later than May 1.

21 (e) If such designated area is found to be qualified to be
22 an Innovation Zone, the Department shall publish a notice in at
23 least one newspaper of general circulation within the proposed
24 Zone area to notify the general public of the application and
25 their opportunity to comment. The notice shall include a
26 description of the area and a brief summary of the application

1 and shall indicate locations where the applicant has provided
2 copies of the application for public inspection. The notice
3 shall also indicate appropriate procedures for the filing of
4 written comments from residents, business, civic, and other
5 organizations and property owners adjacent to the proposed Zone
6 to the Department.

7 (f) Except for as provided for in subsection (a) of this
8 Section, by July 1 of each calendar year, the Department shall
9 either approve or deny all applications filed by December 31 of
10 the preceding calendar year. If an application is denied, then
11 the Department shall inform the county or municipality of the
12 specific reasons for the denial.

13 Section 35. Certification of Innovation Zones; effective
14 date.

15 (a) Approval of designated Innovation Zones shall be made
16 by the Department by certification of the designating
17 ordinance. The Department shall promptly issue a certificate
18 for each Innovation Zone upon its approval. The certificate
19 shall be signed by the Director of the Department, shall make
20 specific reference to the designating ordinance, which shall be
21 attached thereto, and shall be filed in the Office of the
22 Secretary of State. A certified copy of the Innovation Zone
23 Certificate, or a duplicate original thereof, shall be recorded
24 in the office of recorder of deeds of the county in which the
25 Innovation Zone lies.

1 (b) An Innovation Zone shall be effective upon its
2 certification. The Department shall transmit a copy of the
3 certification to the Department of Revenue and to the
4 designating municipality or county. Upon certification of an
5 Innovation Zone, the terms and provisions of the designating
6 ordinance shall be in effect, and may not be amended or
7 repealed except in accordance with Section 40.

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

13 (d) No more than 8 Innovation Zones may be certified by the
14 Department in calendar year 2010 and no more than 15 Innovation
15 Zones may exist in the State at any given time.

16 Section 40. Amendment and decertification of Innovation
17 Zones.

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

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

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

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

24 (4) Make technical corrections in the Innovation Zone
25 designating ordinance, but such amendment shall not be

1 effective unless the Department issues an amended
2 certificate for the Innovation Zone, approving the amended
3 designating ordinance. Upon the adoption of any ordinance
4 amending or repealing the terms of a certified Innovation
5 Zone designating ordinance, the municipality or county
6 shall promptly file with the Department an application for
7 approval thereof, containing substantially the same
8 information as required for an application under Section 25
9 insofar as material to the proposed changes. The
10 municipality or county must hold a public hearing on the
11 proposed changes as specified in Section 20 and, if the
12 amendment is to effectuate the limitation of tax abatements
13 under Section 45, then the public notice of the hearing
14 shall state that property that is in both the Innovation
15 Zone and a redevelopment project area may not receive tax
16 abatements unless within 60 days after the adoption of the
17 abatement to the designating ordinance the municipality
18 has determined that eligibility for tax abatements has been
19 established.

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

23 (6) Effectuate the limitation of tax abatements under
24 Section 45.

25 No amendment of a certified Innovation Zone designating
26 ordinance is required if the sole change is the addition of new

1 partners to the Memorandum of Understanding or Partnership
2 Agreement that was submitted to the Department as part of the
3 original application to the Department. The Zone Administrator
4 shall provide timely written notification to the Department of
5 the names of any new partners that are added to the Memorandum
6 of Understanding or Partnership Agreement.

7 (b) The Department shall approve or disapprove a proposed
8 amendment to a certified Innovation Zone within 60 days after
9 its receipt of the application from the municipality or county.
10 The Department may not approve changes in a Zone that are not
11 in conformity with this Act or with other applicable laws. If
12 the Department issues an amended certificate for an Innovation
13 Zone, the amended certificate, together with the amended Zone
14 designating ordinance, shall be filed, recorded, and
15 transmitted as provided in Section 35. If the Department does
16 not take any action to approve or disapprove a proposed
17 amendment to a certified Innovation Zone within 90 days after
18 its receipt, then the proposed amendment will be deemed to be
19 approved and shall take effect.

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

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

6 (d) An Innovation Zone may be decertified for cause by the
7 Department in accordance with this Section. Prior to the
8 decertification: (i) the Department shall notify the chief
9 elected official of the designating county or municipality in
10 writing of the specific deficiencies that provide cause for
11 decertification; (ii) the Department shall place the
12 designating county or municipality on probationary status for
13 at least 6 months during which time corrective action may be
14 achieved in the Innovation Zone by the designating county or
15 municipality; and (iii) the Department shall conduct at least
16 one public hearing within the Zone. If the corrective action is
17 not achieved during the probationary period, the Department
18 shall issue an amended certificate signed by the Director of
19 the Department decertifying the Innovation Zone, which
20 certificate shall be filed in the Office of the Secretary of
21 State. A certified copy of the amended Innovation Zone
22 certificate, or a duplicate original thereof, shall be recorded
23 in the office of recorder of the county in which the Innovation
24 Zone lies and shall be provided to the chief elected official
25 of the designating county or municipality. Certification of an
26 Innovation Zone shall not become effective until 60 days after

1 the date of filing.

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

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

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

26 (2) that substantial and binding financial obligations

1 have been made towards the development of the enterprise;
2 and

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

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

11 Section 45. Adoption of tax increment financing.

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

1 No business or expansion or individual, however, that has
2 constructed a new improvement or renovated or rehabilitated an
3 existing improvement and has received an abatement on the
4 improvement under Section 18-170 of the Property Tax Code may
5 be denied any benefit previously extended within the Zone under
6 this Act or under any other Illinois law providing benefits
7 specifically to or within Innovation Zones. If the business or
8 individual presents evidence to the municipality, then within
9 30 days after the adoption by the municipality of an amendment
10 to the designating ordinance, the sufficiency of which must be
11 determined by findings of the corporate authorities made within
12 30 days after the receipt of such evidence by the municipality,
13 that before the date of the notice of the public hearing
14 provided by the municipality regarding the amendment to the
15 designating ordinance (i) the business or expansion or
16 individual was committed to locate within the Innovation Zone,
17 (ii) substantial and binding financial obligations were made
18 towards the development of the business, and (iii) those
19 commitments were made in reasonable reliance on the benefits
20 and programs that were applicable to the business or individual
21 by reason of the Innovation Zone, then the business or
22 expansion or individual may not be denied any benefit
23 previously extended within the zone under this Act or under any
24 other Illinois law providing benefits specifically to or within
25 Innovation Zones.

26 (b) This Section applies to all property located within

1 both a redevelopment project area adopted under Division 74.4
2 of the Illinois Municipal Code and an Innovation Zone even if
3 the redevelopment project area was adopted before the effective
4 date of this Act.

5 (c) If (i) a redevelopment project is created by a
6 municipality under Division 74.4 of the Illinois Municipal Code
7 and (ii) the redevelopment project area contains property that
8 is located in an Innovation Zone, then the municipality must
9 adopt an amendment to the certified Innovation Zone designating
10 ordinance under Section 40 that property that is located in
11 both the Innovation Zone and the redevelopment project area
12 shall not be eligible for any abatement of taxes under Section
13 18-170 of the Property Tax Code for new improvements or the
14 renovation or rehabilitation of existing improvements.

15 (d) In declaratory judgment actions under this Section, the
16 Department and the designating municipality shall be necessary
17 parties.

18 Section 50. Powers and duties of Department.

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

21 (1) To monitor the implementation of this Act and any
22 suggestions for legislation to the Director of the
23 Department and the Illinois Innovation Council by December
24 31 of every calendar year and to annually report to the
25 General Assembly employment, number of business

1 establishments, the dollar value of new construction, and
2 improvements for each Innovation Zone.

3 (2) To promulgate all necessary rules and regulations
4 to carry out the purposes of this Act in accordance with
5 the Illinois Administrative Procedure Act.

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

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

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

22 (e) The Department shall provide support and assistance to
23 the members of the Illinois Innovation Council in carrying out
24 their responsibilities and powers established in Section 115 of
25 this Act.

1 Section 55. State incentives regarding public services and
2 physical infrastructure.

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

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

8 (c) The State Treasurer is authorized and encouraged to
9 place deposits of State funds with financial institutions doing
10 business in an Innovation Zone and to encourage angel and
11 venture capital investments in businesses created or located in
12 Innovation Zones.

13 (d) Priority in the use of business or technology
14 development grant and loan programs, worker training and
15 retraining programs, and any other grant, loan, or assistance
16 programs administered by the Department shall be given to
17 businesses located in an Innovation Zone.

18 Section 60. Zone administration. The administration of an
19 Innovation Zone shall be under the jurisdiction of the
20 designating municipality or county. Each designating
21 municipality or county shall, by ordinance, designate a Zone
22 Administrator for the certified zones within its jurisdiction.
23 The Zone Administrator must have the capacity to handle the
24 Zone's financial and administrative functions and must have the
25 expertise to facilitate the Zone's efforts at fostering

1 innovation, commercializing research, and creating
2 entrepreneurial opportunities. The Zone Administrator shall be
3 the liaison between the designating municipality or county, the
4 Department, and the Illinois Innovation Council. The Zone
5 Administrator may provide the following services or perform the
6 following functions in coordination with the municipality or
7 county:

8 (1) Provide or contract for provision of public
9 services.

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

12 (3) Provide a forum for business, education, labor, and
13 government action on Zone innovations.

14 (4) Receive title to publicly owned land.

15 (5) Perform such other functions as the responsible
16 government entity may deem appropriate, including
17 offerings and contracts for insurance with businesses
18 within the Zone.

19 (6) To apply for and administer any State or federal
20 grant program funds that may be awarded to the Zone for the
21 benefit of business enterprises located in the Zone or any
22 other public or private funds that may be awarded or
23 otherwise received for the benefit of business enterprises
24 or workers within the Zone.

25 (7) Agree with local governments to provide such public
26 services within the Zones by contracting with private firms

1 and organizations, where feasible and prudent.

2 (8) Solicit and receive contributions to improve the
3 innovation assets and infrastructure in the Zone.

4 Section 65. Income tax deduction.

5 (a) A taxpayer may receive a deduction against income
6 subject to State taxes for a contribution to a designated Zone
7 Organization if the project for which the contribution is made
8 has been specifically approved by the designating municipality
9 or county and by the Department.

10 (b) Any designated zone organization seeking to have a
11 project approved for contribution must submit an application to
12 the Department describing the nature and benefit of the project
13 and its potential contributors. The designated Zone
14 Organization must be fiscally responsible for the project.

15 (c) The project must enhance the Innovation Zone in one of
16 the following ways:

17 (1) by creating permanent jobs;

18 (2) by furthering the ability of the Zone to attract
19 and develop technology-based business enterprises and
20 entrepreneurs;

21 (3) by increasing the availability of financial
22 resources that will support the attraction and development
23 of technology-based business enterprises and
24 entrepreneurs, including seed and venture funding; or

25 (4) by improving the availability of a skilled

1 workforce that will attract and/or support
2 technology-based business enterprises.

3 (d) If the designated Zone Organization demonstrates its
4 ability to enhance the Zone's activities in one or more of the
5 ways listed in subsection (c) of this Section, then the
6 Department shall approve the organization's proposed projects
7 and specify the amount of contributions that it is eligible to
8 receive for the project. Comments from State elected officials
9 and county and municipal officials in which all or part of the
10 Innovation Zone are located or in which the project is proposed
11 to be located must be solicited by the Department in making its
12 decision.

13 (e) Within 45 days after the receipt of an application, the
14 Department shall give notice to the applicant as to whether the
15 application has been approved or disapproved. If the Department
16 disapproves the application, then it shall specify the reasons
17 for this decision and allow 60 days for the applicant to amend
18 and resubmit its application. The Department shall provide
19 assistance upon request to applicants. The Department must
20 approve or disapprove resubmitted applications within 30 days
21 after submission. Those resubmitted applications satisfying
22 initial Department objectives must be approved unless
23 reasonable circumstances warrant disapproval.

24 (f) On an annual basis, the designated Zone Organization
25 shall furnish a statement to the Department on the programmatic
26 and financial status of any approved project and an audited

1 financial statement of the project.

2 (g) For any project that is approved and for which there is
3 a specified amount of contributions that the designated Zone
4 Organization may receive for an approved project as provided in
5 subsection (d) of this Section, the designated Zone
6 Organization shall provide to the Department any information
7 necessary to determine the eligibility of a contribution to the
8 project for a deduction under Section 203 of the Illinois
9 Income Tax Act. The Department shall certify to the Department
10 of Revenue the taxpayers eligible for and the amounts of
11 contributions which those taxpayers may claim as a deduction
12 under Section 203 of the Illinois Income Tax Act. The total of
13 all actual contributions approved by the Department for
14 deductions under this Section may not exceed \$15,400,000 in any
15 one calendar year.

16 Section 70. State and local regulatory alternatives.

17 (a) Agencies may provide in their rules for (i) the
18 exemption of business enterprises within Innovation Zones or
19 (ii) modifications or alternatives specifically applicable to
20 business enterprises within Innovation Zones, that impose less
21 stringent standards or alternative standards for compliance,
22 including performance-based standards as a substitute for
23 specific mandates of methods, procedures, or equipment.

24 Exemptions, modifications, or alternatives shall be
25 effected by rules adopted in accordance with the Illinois

1 Administrative Procedure Act. The Agency adopting the
2 exemptions, modifications, or alternatives shall file with its
3 proposed rule its findings that the proposed rule provides
4 economic incentives within Innovation Zones that promote the
5 purposes of this Act, and that, to the extent they include any
6 exemptions or reductions in regulatory standards or
7 requirements, outweigh the need or justification for the
8 existing rule.

9 (b) If any Agency adopts a rule pursuant to subsection (a)
10 of this Section affecting a rule contained on the list
11 published by the Department pursuant to Section 65, prior to
12 the completion of the rule making process for the Department's
13 rules under that Section, the Agency shall immediately transmit
14 a copy of its proposed rule to the Department, together with a
15 statement of reasons as to why the Department should defer to
16 the Agency's proposed rule. Agency rules adopted under
17 subsection (a) of this Section shall, however, be subject to
18 the exemption rules of the Department adopted under Section 65.

19 (c) Within Innovation Zones, the designating county or
20 municipality may modify all local ordinances and regulations
21 regarding (1) zoning; (2) licensing; (3) building codes,
22 excluding however, any regulations treating building defects;
23 and (4) rent control and price controls, except for the minimum
24 wage. Notwithstanding any shorter statute of limitation to the
25 contrary, actions against any contractor or architect who
26 designs, constructs, or rehabilitates a building or structure

1 in an Innovation Zone in accordance with local standards
2 specifically applicable within Zones that have been relaxed may
3 be commenced within 10 years from the time of beneficial
4 occupancy of the building or use of the structure.

5 Section 75. Powers and duties. The Department has the power
6 to:

7 (1) Provide loans from the funds appropriated to a
8 business undertaking a project and accept mortgages or
9 other evidences of indebtedness or security of such
10 business.

11 (2) Enter into agreements, accept funds or grants, and
12 cooperate with agencies of the federal government, units of
13 local government, and local regional economic development
14 corporations or organizations for the purposes of carrying
15 out this Act.

16 (3) Enter into contracts, letters of credit, or any
17 other agreements or contracts with financial institutions
18 necessary or desirable to carry out the purposes of this
19 Act. Any such agreement or contract may include, without
20 limitation, terms and provisions relating to a specific
21 project, such as loan documentation, review and approval
22 procedures, organization and servicing rights, default
23 conditions, and other program aspects.

24 (4) Fix, determine, charge, and collect any premiums,
25 fees, charges, costs and expenses, including application

1 fees, commitment fees, program fees, financing charges, or
2 publication fees in connection with its activities under
3 this Act.

4 (5) Establish application, notification, contract, and
5 other procedures, rules, or regulations deemed necessary
6 and appropriate.

7 (6) Subject to the provisions of any contract with
8 another person and consent to the modification or
9 restructuring of any loan agreement to which the Department
10 is a party.

11 (7) Take any actions that are necessary or appropriate
12 to protect the State's interest in the event of bankruptcy,
13 default, foreclosure, or noncompliance with the terms and
14 conditions of financial assistance or participation
15 provided under this Act, including the power to sell,
16 dispose, lease, or rent, upon terms and conditions
17 determined by the Director to be appropriate, real or
18 personal property that the Department may receive as a
19 result thereof.

20 (8) Acquire and accept by gift, grant, purchase, or
21 otherwise, but by condemnation, fee simple title, or such
22 lesser interest as may be desired, in land, to improve or
23 arrange for the improvement of that land for industrial or
24 commercial site development purposes, and to lease or
25 convey such land or interest in land so acquired and so
26 improved, including sale and conveyance subject to a

1 mortgage, for such price, upon such terms, and at such time
2 as the Department may determine. Prior to exercising his or
3 her authority under this subsection, the Director must find
4 that other means of financing and developing of any such
5 project are not reasonably available and that such action
6 is consistent with the purposes and policies of this Act.

7 (9) Exercise such other powers as are necessary or
8 incidental to the foregoing.

9 Section 80. Loans. Any loan made under this Act:

10 (1) May be made only if a participating lender, or
11 other funding source including the applicant, also
12 provides a portion of the financing with respect to the
13 project and only if the Department determines, on the basis
14 of all the information available to it, that the project
15 would not be undertaken in Illinois unless the loan is
16 provided. Financing from another funding source may be in
17 the form of a loan, letter of credit, guarantee, loan
18 participation, bond purchase, direct cash payment, or
19 other form approved by the Department.

20 (2) May finance no more than 25% of the total amount of
21 any single project and may only be approved for amounts not
22 to exceed \$2,000,000 for any single project, unless waived
23 by the Director upon a finding that a waiver is appropriate
24 to accomplish the purposes of this Act.

25 (3) Must be protected by adequate security

1 satisfactory to the Department to secure payment of the
2 loan agreement.

3 (4) Must be in any principal amount and form and
4 contain any terms and provisions with respect to property
5 insurance, repairs, alterations, payment of taxes and
6 assessments, delinquency charges, default remedies,
7 additional security, and other matters that the Department
8 determines is adequate to protect the public interest.

9 (5) Must include provisions to call the loan agreement
10 as due and payable if the project is not completed, if the
11 project fails to generate anticipated employment
12 opportunities, or if the business ceases to operate the
13 project.

14 (6) May be made only after the Department has
15 determined that the loan will cause a project to be
16 undertaken that has the potential to create substantial
17 employment in relation to the principal amount of the loan.

18 (7) May be made only with a business that has certified
19 the project is a new plant start-up or expansion and is not
20 a relocation of an existing business from another site in
21 Illinois unless that relocation results in substantial
22 employment growth.

23 Section 85. Loan applications.

24 (a) Applications for loans must be submitted to the
25 Department on forms and subject to filing fees prescribed by

1 the Department. The Department is not prohibited from
2 soliciting applications. The Department shall conduct any
3 investigation and obtain any information concerning the
4 business as is necessary and diligent to complete a loan
5 agreement. The Department's investigation must include facts
6 about the company's history, job opportunities, stability of
7 employment, past and present condition and structure, actual
8 and pro-forma income statements, present and future market
9 prospects, management qualifications, and any other aspect
10 material to the financing request.

11 (b) After consideration of this information and after any
12 other action that is deemed appropriate, the Department shall
13 approve or deny the application. If the Department approves the
14 application, its approval must specify the amount of funds to
15 be provided and the loan agreement provisions. The Department
16 shall promptly notify the business of its approval or denial of
17 the application.

18 Section 90. Innovation Zone Loan Fund.

19 (a) The Innovation Zone Loan Fund is created as a special
20 fund in the State treasury. The Department is authorized to
21 make loans from the Fund for the purposes established under
22 this Act. The State Treasurer has custody of the Fund and may
23 invest in accordance with his or her statutory authority and
24 investment policy. The purpose of the Fund is to offer loans to
25 finance firms considering the location of a proposed business

1 in a certified Innovation Zone and to provide financing to
2 carry out the purposes and provisions of item (8) of Section 75
3 of this Act. This financing must be in the form of a loan,
4 mortgage, or other debt instrument. All loans must be
5 conditioned on the project receiving financing from
6 participating lenders or other sources. Loan proceeds must be
7 available for project costs associated with an expansion of
8 business capacity and employment, except for debt refinancing.
9 New ventures shall be considered only if the entity is
10 protected with adequate security with regard to its financing
11 and operation. The limitations and conditions with respect to
12 the use of this Fund do not apply in carrying out the purposes
13 and provisions of item (8) of Section 75 of this Act.

14 (b) Deposits in the Fund include, but are not limited to:

15 (1) All receipts, including principal and interest
16 payments, royalties or other payments, from any loan made
17 by the Department under this Law.

18 (2) All proceeds of assets of whatever nature received
19 by the Department as a result of default and delinquency
20 with respect to loans made under this Law, including
21 proceeds from the sale, disposal, lease or rental of real
22 or personal property which the Department may receive as a
23 result thereof.

24 (3) Any appropriations, grants or gifts made to the
25 Fund.

26 (4) Any income received from interest on investments of

1 amounts from the Fund not currently needed to meet the
2 obligations of the Fund.

3 Section 95. Construction. Nothing in this Act may be
4 construed as creating any rights of a competitor of an approved
5 borrower or any applicant whose application is denied by the
6 Department to challenge any application which is accepted by
7 the Department and any loan or other agreement executed in
8 connection therewith.

9 Section 100. Confidentiality. Any documentary materials or
10 data made or received by any member, agent, or employee of the
11 Department is deemed to be confidential and is not a public
12 record to the extent that such materials or data consist of
13 trade secrets, commercial, or financial information regarding
14 the operation of any business conducted by an applicant for or
15 recipient of any form of assistance under this Law or such
16 information regarding the competitive position of such
17 business in a particular field of endeavor.

18 Section 105. Report. On January 1 of each year, the
19 Department shall report on its operation of the Fund for the
20 preceding fiscal year to the Governor, the General Assembly,
21 and the Illinois Innovation Council.

22 Section 110. Federal programs. The Department is

1 authorized to accept and expend federal moneys pursuant to this
2 Law except that the terms and conditions hereunder that are
3 inconsistent with or prohibited by federal authorization under
4 which such moneys are made available do apply with respect to
5 the expenditure of such moneys.

6 Section 115. Illinois Innovation Council.

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

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

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

23 (2) One representative of each public and private
24 institution of higher education that has executed a formal
25 agreement to participate in a designated Zone or Zones,

1 selected by each institution of higher education.

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

7 (4) One representative of the Department, selected by
8 the Department, who shall serve as an ex officio member of
9 the Council.

10 (c) The Council has the following responsibilities and
11 powers:

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

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

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

25 (4) to assist the Department's efforts to develop
26 geographic Zones that have unique development

1 opportunities and incentives for innovation and the
2 creation of technology jobs;

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

6 (6) to facilitate the communication, cooperation, and
7 collaboration among the State's designated Innovation
8 Zones;

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

18 (8) to establish a Business Advisory Subcommittee
19 comprised of representatives of business enterprises
20 located in designated Innovation Zones to ensure that
21 business input is provided to the Council in fulfilling its
22 responsibilities and powers and to provide expertise on the
23 impact of policies and regulations, obstacles to
24 development, market and industry trends, and other topics
25 that directly or indirectly impact the Zones' ability to
26 attract and retain technology-based business enterprises

1 and entrepreneurs.

2 (d) The Council shall meet quarterly or at the call of a
3 majority of the members or at the request of the Department.
4 Members shall serve without compensation but may be reimbursed
5 for expenses.

6 Section 900. The State Finance Act is amended by adding
7 Section 5.719 as follows:

8 (30 ILCS 105/5.719 new)

9 Sec. 5.719. The Innovation Zone Loan Fund.

10 Section 905. The Illinois Income Tax Act is amended by
11 changing Section 201 and by adding Section 218 as follows:

12 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

13 Sec. 201. Tax Imposed.

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

21 (b) Rates. The tax imposed by subsection (a) of this
22 Section shall be determined as follows, except as adjusted by

1 subsection (d-1):

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

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

13 (3) In the case of an individual, trust or estate, for
14 taxable years beginning after June 30, 1989, an amount
15 equal to 3% of the taxpayer's net income for the taxable
16 year.

17 (4) (Blank).

18 (5) (Blank).

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

22 (7) In the case of a corporation, for taxable years
23 beginning prior to July 1, 1989 and ending after June 30,
24 1989, an amount equal to the sum of (i) 4% of the
25 taxpayer's net income for the period prior to July 1, 1989,
26 as calculated under Section 202.3, and (ii) 4.8% of the

1 taxpayer's net income for the period after June 30, 1989,
2 as calculated under Section 202.3.

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

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

19 (d) Additional Personal Property Tax Replacement Income
20 Tax Rates. The personal property tax replacement income tax
21 imposed by this subsection and subsection (c) of this Section
22 in the case of a corporation, other than a Subchapter S
23 corporation and except as adjusted by subsection (d-1), shall
24 be an additional amount equal to 2.85% of such taxpayer's net
25 income for the taxable year, except that beginning on January
26 1, 1981, and thereafter, the rate of 2.85% specified in this

1 subsection shall be reduced to 2.5%, and in the case of a
2 partnership, trust or a Subchapter S corporation shall be an
3 additional amount equal to 1.5% of such taxpayer's net income
4 for the taxable year.

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

1 purposes of this subsection (d-1), an inter-affiliate includes
2 a mutual insurer under common management.

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

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

9 (B) the privilege tax imposed by Section 409 of the
10 Illinois Insurance Code, the fire insurance company
11 tax imposed by Section 12 of the Fire Investigation
12 Act, and the fire department taxes imposed under
13 Section 11-10-1 of the Illinois Municipal Code,
14 equals 1.25% for taxable years ending prior to December 31,
15 2003, or 1.75% for taxable years ending on or after
16 December 31, 2003, of the net taxable premiums written for
17 the taxable year, as described by subsection (1) of Section
18 409 of the Illinois Insurance Code. This paragraph will in
19 no event increase the rates imposed under subsections (b)
20 and (d).

21 (2) Any reduction in the rates of tax imposed by this
22 subsection shall be applied first against the rates imposed
23 by subsection (b) and only after the tax imposed by
24 subsection (a) net of all credits allowed under this
25 Section other than the credit allowed under subsection (i)
26 has been reduced to zero, against the rates imposed by

1 subsection (d).

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

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

7 (1) A taxpayer shall be allowed a credit equal to .5%
8 of the basis of qualified property placed in service during
9 the taxable year, provided such property is placed in
10 service on or after July 1, 1984. There shall be allowed an
11 additional credit equal to .5% of the basis of qualified
12 property placed in service during the taxable year,
13 provided such property is placed in service on or after
14 July 1, 1986, and the taxpayer's base employment within
15 Illinois has increased by 1% or more over the preceding
16 year as determined by the taxpayer's employment records
17 filed with the Illinois Department of Employment Security.
18 Taxpayers who are new to Illinois shall be deemed to have
19 met the 1% growth in base employment for the first year in
20 which they file employment records with the Illinois
21 Department of Employment Security. The provisions added to
22 this Section by Public Act 85-1200 (and restored by Public
23 Act 87-895) shall be construed as declaratory of existing
24 law and not as a new enactment. If, in any year, the
25 increase in base employment within Illinois over the
26 preceding year is less than 1%, the additional credit shall

1 be limited to that percentage times a fraction, the
2 numerator of which is .5% and the denominator of which is
3 1%, but shall not exceed .5%. The investment credit shall
4 not be allowed to the extent that it would reduce a
5 taxpayer's liability in any tax year below zero, nor may
6 any credit for qualified property be allowed for any year
7 other than the year in which the property was placed in
8 service in Illinois. For tax years ending on or after
9 December 31, 1987, and on or before December 31, 1988, the
10 credit shall be allowed for the tax year in which the
11 property is placed in service, or, if the amount of the
12 credit exceeds the tax liability for that year, whether it
13 exceeds the original liability or the liability as later
14 amended, such excess may be carried forward and applied to
15 the tax liability of the 5 taxable years following the
16 excess credit years if the taxpayer (i) makes investments
17 which cause the creation of a minimum of 2,000 full-time
18 equivalent jobs in Illinois, (ii) is located in an
19 enterprise zone established pursuant to the Illinois
20 Enterprise Zone Act, ~~and~~ (iii) is certified by the
21 Department of Commerce and Community Affairs (now
22 Department of Commerce and Economic Opportunity) as
23 complying with the requirements specified in clause (i) and
24 (ii) by July 1, 1986, or (iv) is located in an Innovation
25 Zone established pursuant to the Illinois Innovation Zone
26 Act. The Department of Commerce and Community Affairs (now

1 Department of Commerce and Economic Opportunity) shall
2 notify the Department of Revenue of all such certifications
3 immediately. For tax years ending after December 31, 1988,
4 the credit shall be allowed for the tax year in which the
5 property is placed in service, or, if the amount of the
6 credit exceeds the tax liability for that year, whether it
7 exceeds the original liability or the liability as later
8 amended, such excess may be carried forward and applied to
9 the tax liability of the 5 taxable years following the
10 excess credit years. The credit shall be applied to the
11 earliest year for which there is a liability. If there is
12 credit from more than one tax year that is available to
13 offset a liability, earlier credit shall be applied first.

14 (2) The term "qualified property" means property
15 which:

16 (A) is tangible, whether new or used, including
17 buildings and structural components of buildings and
18 signs that are real property, but not including land or
19 improvements to real property that are not a structural
20 component of a building such as landscaping, sewer
21 lines, local access roads, fencing, parking lots, and
22 other appurtenances;

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

1 (e);

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

4 (D) is used in Illinois by a taxpayer who is
5 primarily engaged in manufacturing, or in mining coal
6 or fluorite, or in retailing, or in the provision of
7 advanced healthcare services or treatments, or was
8 placed in service on or after July 1, 2006 in a River
9 Edge Redevelopment Zone established pursuant to the
10 River Edge Redevelopment Zone Act, or was placed in
11 service on or after July 1, 2009 in an Innovation Zone
12 established pursuant to the Illinois Innovation Zone
13 Act; and

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

18 (3) For purposes of this subsection (e),
19 "manufacturing" means the material staging and production
20 of tangible personal property by procedures commonly
21 regarded as manufacturing, processing, fabrication, or
22 assembling which changes some existing material into new
23 shapes, new qualities, or new combinations. For purposes of
24 this subsection (e) the term "mining" shall have the same
25 meaning as the term "mining" in Section 613(c) of the
26 Internal Revenue Code. For purposes of this subsection (e),

1 the term "retailing" means the sale of tangible personal
2 property or services rendered in conjunction with the sale
3 of tangible consumer goods or commodities. For the purposes
4 of this subsection (e), "advanced healthcare services or
5 treatments" means the direct treatment of patients using
6 advanced medical equipment that is located in a facility in
7 an Innovation Zone that conducts research and development
8 activities with a State university utilizing the advanced
9 medical equipment.

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

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

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

20 (7) If during any taxable year, any property ceases to
21 be qualified property in the hands of the taxpayer within
22 48 months after being placed in service, or the situs of
23 any qualified property is moved outside Illinois within 48
24 months after being placed in service, the Personal Property
25 Tax Replacement Income Tax for such taxable year shall be
26 increased. Such increase shall be determined by (i)

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

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

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

1 taxable year. The partnership shall make this election on
2 its Personal Property Tax Replacement Income Tax return for
3 that taxable year. The election to pass through the credits
4 shall be irrevocable.

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

19 (f) Investment credit; Enterprise Zone; River Edge
20 Redevelopment Zone; Innovation Zone.

21 (1) A taxpayer shall be allowed a credit against the
22 tax imposed by subsections (a) and (b) of this Section for
23 investment in qualified property which is placed in service
24 in an Enterprise Zone created pursuant to the Illinois
25 Enterprise Zone Act or, for property placed in service on
26 or after July 1, 2006, a River Edge Redevelopment Zone

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

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

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

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

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

13 (C) is acquired by purchase as defined in Section
14 179(d) of the Internal Revenue Code;

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

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

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

25 (4) If the basis of the property for federal income tax
26 depreciation purposes is increased after it has been placed

1 in service in the Enterprise Zone or River Edge
2 Redevelopment Zone or Innovation Zone by the taxpayer, the
3 amount of such increase shall be deemed property placed in
4 service on the date of such increase in basis.

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

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

25 (7) There shall be allowed an additional credit equal
26 to 0.5% of the basis of qualified property placed in

1 service during the taxable year in a River Edge
2 Redevelopment Zone, provided such property is placed in
3 service on or after July 1, 2006, and the taxpayer's base
4 employment within Illinois has increased by 1% or more over
5 the preceding year as determined by the taxpayer's
6 employment records filed with the Illinois Department of
7 Employment Security. Taxpayers who are new to Illinois
8 shall be deemed to have met the 1% growth in base
9 employment for the first year in which they file employment
10 records with the Illinois Department of Employment
11 Security. If, in any year, the increase in base employment
12 within Illinois over the preceding year is less than 1%,
13 the additional credit shall be limited to that percentage
14 times a fraction, the numerator of which is 0.5% and the
15 denominator of which is 1%, but shall not exceed 0.5%.

16 (8) There shall be allowed an additional credit equal
17 to 0.5% of the basis of qualified property placed in
18 service during the taxable year in an Innovation Zone,
19 provided such property is placed in service on or after
20 July 1, 2009, and the taxpayer's base employment within
21 Illinois has increased by 1% or more over the preceding
22 year as determined by the taxpayer's employment records
23 filed with the Illinois Department of Employment Security.
24 Taxpayers who are new to Illinois shall be deemed to have
25 met the 1% growth in base employment for the first year in
26 which they file employment records with the Illinois

1 Department of Employment Security. If, in any year, the
2 increase in base employment within Illinois over the
3 preceding year is less than 1%, the additional credit shall
4 be limited to that percentage times a fraction, the
5 numerator of which is 0.5% and the denominator of which is
6 1%, but shall not exceed 0.5%.

7 (g) Jobs Tax Credit; Enterprise Zone, River Edge
8 Redevelopment Zone, ~~and~~ Foreign Trade Zone or Sub-Zone, and
9 Innovation Zone.

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

20 (2) To qualify for the credit:

21 (A) the taxpayer must hire 5 or more eligible
22 employees to work in an enterprise zone, River Edge
23 Redevelopment Zone, an Innovation Zone, or federally
24 designated Foreign Trade Zone or Sub-Zone during the
25 taxable year;

26 (B) the taxpayer's total employment within the

1 enterprise zone, Innovation Zone, River Edge
2 Redevelopment Zone, or federally designated Foreign
3 Trade Zone or Sub-Zone must increase by 5 or more
4 full-time employees beyond the total employed in that
5 zone at the end of the previous tax year for which a
6 jobs tax credit under this Section was taken, or beyond
7 the total employed by the taxpayer as of December 31,
8 1985, whichever is later; and

9 (C) the eligible employees must be employed 180
10 consecutive days in order to be deemed hired for
11 purposes of this subsection.

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

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

20 (B) Hired after the enterprise zone, Innovation
21 Zone, River Edge Redevelopment Zone, or federally
22 designated Foreign Trade Zone or Sub-Zone was
23 designated or the trade or business was located in that
24 zone, whichever is later.

25 (C) Employed in the enterprise zone, Innovation
26 Zone, River Edge Redevelopment Zone, or Foreign Trade

1 Zone or Sub-Zone. An employee is employed in an
2 enterprise zone or an Innovation Zone, or federally
3 designated Foreign Trade Zone or Sub-Zone if his
4 services are rendered there or it is the base of
5 operations for the services performed.

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

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

23 (5) The Department of Revenue shall promulgate such
24 rules and regulations as may be deemed necessary to carry
25 out the purposes of this subsection (g).

26 (6) The credit shall be available for eligible

1 employees hired on or after January 1, 1986.

2 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

26 (h);

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

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

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

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

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

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

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

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

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

1 base income, and further multiplying the product by the tax
2 rate imposed by subsections (a) and (b) of this Section.

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

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

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

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

1 credit arising under this subsection shall be applied first. No
2 carryforward credit may be claimed in any tax year ending on or
3 after December 31, 2003.

4 (k) Research and development credit.

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

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

1 of qualifying expenditures for the taxable year in which
2 incurred over qualifying expenditures for the base period,
3 "qualifying expenditures for the base period" means the average
4 of the qualifying expenditures for each year in the base
5 period, and "base period" means the 3 taxable years immediately
6 preceding the taxable year for which the determination is being
7 made.

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

16 If an unused credit is carried forward to a given year from
17 2 or more earlier years, that credit arising in the earliest
18 year will be applied first against the tax liability for the
19 given year. If a tax liability for the given year still
20 remains, the credit from the next earliest year will then be
21 applied, and so on, until all credits have been used or no tax
22 liability for the given year remains. Any remaining unused
23 credit or credits then will be carried forward to the next
24 following year in which a tax liability is incurred, except
25 that no credit can be carried forward to a year which is more
26 than 5 years after the year in which the expense for which the

1 credit is given was incurred.

2 No inference shall be drawn from this amendatory Act of the
3 91st General Assembly in construing this Section for taxable
4 years beginning before January 1, 1999.

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

14 (1) Environmental Remediation Tax Credit.

15 (i) For tax years ending after December 31, 1997 and on
16 or before December 31, 2001, a taxpayer shall be allowed a
17 credit against the tax imposed by subsections (a) and (b)
18 of this Section for certain amounts paid for unreimbursed
19 eligible remediation costs, as specified in this
20 subsection. For purposes of this Section, "unreimbursed
21 eligible remediation costs" means costs approved by the
22 Illinois Environmental Protection Agency ("Agency") under
23 Section 58.14 of the Environmental Protection Act that were
24 paid in performing environmental remediation at a site for
25 which a No Further Remediation Letter was issued by the
26 Agency and recorded under Section 58.10 of the

1 Environmental Protection Act. The credit must be claimed
2 for the taxable year in which Agency approval of the
3 eligible remediation costs is granted. The credit is not
4 available to any taxpayer if the taxpayer or any related
5 party caused or contributed to, in any material respect, a
6 release of regulated substances on, in, or under the site
7 that was identified and addressed by the remedial action
8 pursuant to the Site Remediation Program of the
9 Environmental Protection Act. After the Pollution Control
10 Board rules are adopted pursuant to the Illinois
11 Administrative Procedure Act for the administration and
12 enforcement of Section 58.9 of the Environmental
13 Protection Act, determinations as to credit availability
14 for purposes of this Section shall be made consistent with
15 those rules. For purposes of this Section, "taxpayer"
16 includes a person whose tax attributes the taxpayer has
17 succeeded to under Section 381 of the Internal Revenue Code
18 and "related party" includes the persons disallowed a
19 deduction for losses by paragraphs (b), (c), and (f)(1) of
20 Section 267 of the Internal Revenue Code by virtue of being
21 a related taxpayer, as well as any of its partners. The
22 credit allowed against the tax imposed by subsections (a)
23 and (b) shall be equal to 25% of the unreimbursed eligible
24 remediation costs in excess of \$100,000 per site, except
25 that the \$100,000 threshold shall not apply to any site
26 contained in an enterprise zone as determined by the

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

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

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

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

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

24 For purposes of this subsection:

25 "Qualifying pupils" means individuals who (i) are
26 residents of the State of Illinois, (ii) are under the age of

1 21 at the close of the school year for which a credit is
2 sought, and (iii) during the school year for which a credit is
3 sought were full-time pupils enrolled in a kindergarten through
4 twelfth grade education program at any school, as defined in
5 this subsection.

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

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

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

20 (n) River Edge Redevelopment Zone site remediation tax
21 credit.

22 (i) For tax years ending on or after December 31, 2006,
23 a taxpayer shall be allowed a credit against the tax
24 imposed by subsections (a) and (b) of this Section for
25 certain amounts paid for unreimbursed eligible remediation
26 costs, as specified in this subsection. For purposes of

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

1 Code by virtue of being a related taxpayer, as well as any
2 of its partners. The credit allowed against the tax imposed
3 by subsections (a) and (b) shall be equal to 25% of the
4 unreimbursed eligible remediation costs in excess of
5 \$100,000 per site.

6 (ii) A credit allowed under this subsection that is
7 unused in the year the credit is earned may be carried
8 forward to each of the 5 taxable years following the year
9 for which the credit is first earned until it is used. This
10 credit shall be applied first to the earliest year for
11 which there is a liability. If there is a credit under this
12 subsection from more than one tax year that is available to
13 offset a liability, the earliest credit arising under this
14 subsection shall be applied first. A credit allowed under
15 this subsection may be sold to a buyer as part of a sale of
16 all or part of the remediation site for which the credit
17 was granted. The purchaser of a remediation site and the
18 tax credit shall succeed to the unused credit and remaining
19 carry-forward period of the seller. To perfect the
20 transfer, the assignor shall record the transfer in the
21 chain of title for the site and provide written notice to
22 the Director of the Illinois Department of Revenue of the
23 assignor's intent to sell the remediation site and the
24 amount of the tax credit to be transferred as a portion of
25 the sale. In no event may a credit be transferred to any
26 taxpayer if the taxpayer or a related party would not be

1 eligible under the provisions of subsection (i).

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

5 (iv) This subsection is exempt from the provisions of
6 Section 250.

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

8 (35 ILCS 5/218 new)

9 Sec. 218. Innovation Zone investment tax credit.

10 (a) Any taxpayer primarily engaged in technology-based
11 activities and innovation within a designated Innovation Zone
12 that pays its employees that work a minimum of 30 hours per
13 week within the State a median annual wage equal or greater
14 than 125% of the average annual wage paid by all employers in
15 the State to employees that work a minimum of 30 hours per week
16 within the State and that provides benefits typical to the
17 technology industry, is allowed a credit of 10% of the cost or
18 other basis for federal tax purposes of tangible personal
19 property and other tangible property, including buildings and
20 structural components of buildings acquired, constructed,
21 reconstructed, or leased with situs in Illinois and principally
22 used in technology-based activities and processes after
23 December 31, 2009.

24 For the purposes of this subsection (a):

25 "Employees" means those that work a minimum of 30 hours per

1 week within the State with benefits typical to the
2 technology-based industry.

3 "Principally engaged in technology-based activities and
4 processes" means the company's sales of technology-based
5 products, services or costs related to the development of
6 technology-based products and services constitute at least 50%
7 of its overall receipts or its overall costs respectively.

8 "Tangible personal property" and "other tangible property"
9 includes buildings and structural components of buildings
10 acquired, constructed, reconstructed, or leased with situs in
11 Illinois and principally used in the production of
12 technology-based products or services:

13 (1) is depreciable pursuant to 26 U.S.C. 167.

14 (2) has a useful life of 4 years or more, and

15 (3) is acquired by purchase as defined in 26 U.S.C.
16 179(d), or

17 (4) is acquired by lease based on the fair market value
18 of the property at the inception of the lease times the
19 portion of the depreciable life of the property represented
20 by the term of the lease, excluding renewal options, for a
21 term of 20 years; and

22 (5) does not include vehicles or furniture.

23 "Wages" means all remuneration paid for personal services,
24 including commissions and bonuses and the cash value of all
25 remuneration paid in any medium other than cash and all other
26 remuneration which is defined as taxable wages by the Internal

1 Revenue Service, as certified by the department of labor and
2 training.

3 (b) Except as provided under subsection (c) of this
4 Section, if the amount of credit allowable for any taxable year
5 is less than the amount of credit available to the taxpayer,
6 then any amount of credit not used in the taxable year will be
7 available the following year or years not to exceed 15 years
8 and may be deducted from the taxpayer's tax for the year or
9 years.

10 (c) The credit may be extended beyond 7 years only in a
11 year in which:

12 (1) the company maintains an average quarterly number
13 of employees for each calendar year that is 9.5% greater
14 than average quarter number of employees in the 4th year of
15 the initial credit;

16 (2) the company's average quarterly median wage is not
17 less than the company's average of its quarterly median
18 wage for the 3 previous calendar years;

19 (3) the company pays its employees a median annual wage
20 equal or greater than 125% of the average annual wage paid
21 by all employers in the State; and

22 (4) the Department certifies to the Department of
23 Revenue that the criteria in items (1) through (3) of this
24 subsection (c) have been met.

25 Unused credits after the 7th year are forfeited permanently if
26 any of these wage and employment criteria are unmet after the

1 7th year.

2 The taxpayer may determine the order in which the credits
3 generated in different tax years are used, provided that
4 credits available for more than 7 years may not reduce current
5 year liability by more than 75%.

6 Section 910. The Economic Development for a Growing Economy
7 Tax Credit Act is amended by adding Section 5-23 as follows:

8 (35 ILCS 10/5-23 new)

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

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

23 (b) In order to qualify for Credits under this Act, an
24 Applicant's project must:

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

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

7 (c) After receipt of an application, the Department may
8 enter into an Agreement with the Applicant if the application
9 is reviewed and accepted by the Business Investment Committee
10 established in Section 5-25. The Department shall give priority
11 consideration in approving Economic Development for a Growing
12 Economy tax credits for all applications meeting the criteria
13 set forth above which are located in an innovation zone.

14 Section 915. The Use Tax Act is amended by changing Section
15 3-5 as follows:

16 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

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

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

1 purpose of resale by the enterprise.

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

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

20 (4) Personal property purchased by a governmental body, by
21 a corporation, society, association, foundation, or
22 institution organized and operated exclusively for charitable,
23 religious, or educational purposes, or by a not-for-profit
24 corporation, society, association, foundation, institution, or
25 organization that has no compensated officers or employees and
26 that is organized and operated primarily for the recreation of

1 persons 55 years of age or older. A limited liability company
2 may qualify for the exemption under this paragraph only if the
3 limited liability company is organized and operated
4 exclusively for educational purposes. On and after July 1,
5 1987, however, no entity otherwise eligible for this exemption
6 shall make tax-free purchases unless it has an active exemption
7 identification number issued by the Department.

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

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

20 (7) Farm chemicals.

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

25 (9) Personal property purchased from a teacher-sponsored
26 student organization affiliated with an elementary or

1 secondary school located in Illinois.

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

13 (11) Farm machinery and equipment, both new and used,
14 including that manufactured on special order, certified by the
15 purchaser to be used primarily for production agriculture or
16 State or federal agricultural programs, including individual
17 replacement parts for the machinery and equipment, including
18 machinery and equipment purchased for lease, and including
19 implements of husbandry defined in Section 1-130 of the
20 Illinois Vehicle Code, farm machinery and agricultural
21 chemical and fertilizer spreaders, and nurse wagons required to
22 be registered under Section 3-809 of the Illinois Vehicle Code,
23 but excluding other motor vehicles required to be registered
24 under the Illinois Vehicle Code. Horticultural polyhouses or
25 hoop houses used for propagating, growing, or overwintering
26 plants shall be considered farm machinery and equipment under

1 this item (11). Agricultural chemical tender tanks and dry
2 boxes shall include units sold separately from a motor vehicle
3 required to be licensed and units sold mounted on a motor
4 vehicle required to be licensed if the selling price of the
5 tender is separately stated.

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

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

22 (12) Fuel and petroleum products sold to or used by an air
23 common carrier, certified by the carrier to be used for
24 consumption, shipment, or storage in the conduct of its
25 business as an air common carrier, for a flight destined for or
26 returning from a location or locations outside the United

1 States without regard to previous or subsequent domestic
2 stopovers.

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

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

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

25 (16) Until July 1, 2003, coal exploration, mining,
26 offhighway hauling, processing, maintenance, and reclamation

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

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

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

22 (19) Personal property delivered to a purchaser or
23 purchaser's donee inside Illinois when the purchase order for
24 that personal property was received by a florist located
25 outside Illinois who has a florist located inside Illinois
26 deliver the personal property.

1 (20) Semen used for artificial insemination of livestock
2 for direct agricultural production.

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

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

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

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

1 amount from the lessee, the lessee shall have a legal right to
2 claim a refund of that amount from the lessor. If, however,
3 that amount is not refunded to the lessee for any reason, the
4 lessor is liable to pay that amount to the Department.

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

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

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

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

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

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

13 (29) Beginning January 1, 2000 and through December 31,
14 2001, new or used automatic vending machines that prepare and
15 serve hot food and beverages, including coffee, soup, and other
16 items, and replacement parts for these machines. Beginning
17 January 1, 2002 and through June 30, 2003, machines and parts
18 for machines used in commercial, coin-operated amusement and
19 vending business if a use or occupation tax is paid on the
20 gross receipts derived from the use of the commercial,
21 coin-operated amusement and vending machines. This paragraph
22 is exempt from the provisions of Section 3-90.

23 (30) Beginning January 1, 2001 and through June 30, 2011,
24 food for human consumption that is to be consumed off the
25 premises where it is sold (other than alcoholic beverages, soft
26 drinks, and food that has been prepared for immediate

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

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

1 collects any such amount from the lessee, the lessee shall have
2 a legal right to claim a refund of that amount from the lessor.
3 If, however, that amount is not refunded to the lessee for any
4 reason, the lessor is liable to pay that amount to the
5 Department. This paragraph is exempt from the provisions of
6 Section 3-90.

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

1 refunded to the lessee for any reason, the lessor is liable to
2 pay that amount to the Department. This paragraph is exempt
3 from the provisions of Section 3-90.

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

23 (34) Beginning January 1, 2008, tangible personal property
24 used in the construction or maintenance of a community water
25 supply, as defined under Section 3.145 of the Environmental
26 Protection Act, that is operated by a not-for-profit

1 corporation that holds a valid water supply permit issued under
2 Title IV of the Environmental Protection Act. This paragraph is
3 exempt from the provisions of Section 3-90.

4 (35) Beginning January 1, 2010, tangible property that is
5 used or consumed within an Innovation Zone, as that term is
6 defined in the Illinois Innovation Zone Act, in the process of
7 manufacturing or assembly of tangible property for wholesale or
8 retail sale or lease.

9 (36) Beginning January 1, 2010, gas, electricity, and
10 telecommunication services that are purchased or used within an
11 Innovation Zone, as that term is defined in the Illinois
12 Innovation Zone Act, and have been in operation less than 8
13 years.

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

16 Section 920. The Service Use Tax Act is amended by changing
17 Section 3-5 as follows:

18 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

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

21 (1) Personal property purchased from a corporation,
22 society, association, foundation, institution, or
23 organization, other than a limited liability company, that is
24 organized and operated as a not-for-profit service enterprise

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

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

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

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

26 (5) Until July 1, 2003 and beginning again on September 1,

1 2004, graphic arts machinery and equipment, including repair
2 and replacement parts, both new and used, and including that
3 manufactured on special order or purchased for lease, certified
4 by the purchaser to be used primarily for graphic arts
5 production. Equipment includes chemicals or chemicals acting
6 as catalysts but only if the chemicals or chemicals acting as
7 catalysts effect a direct and immediate change upon a graphic
8 arts product.

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

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

1 shall include units sold separately from a motor vehicle
2 required to be licensed and units sold mounted on a motor
3 vehicle required to be licensed if the selling price of the
4 tender is separately stated.

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

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

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

1 stopovers.

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

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

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

26 (12) Until July 1, 2003, coal exploration, mining,

1 offhighway hauling, processing, maintenance, and reclamation
2 equipment, including replacement parts and equipment, and
3 including equipment purchased for lease, but excluding motor
4 vehicles required to be registered under the Illinois Vehicle
5 Code.

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

8 (14) 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 (14) is exempt from the provisions
14 of Section 3-75, and the exemption provided for under this item
15 (14) applies for all periods beginning May 30, 1995, but no
16 claim for credit or refund is allowed on or after the effective
17 date of this amendatory Act of the 95th General Assembly for
18 such taxes paid during the period beginning May 30, 2000 and
19 ending on the effective date of this amendatory Act of the 95th
20 General Assembly.

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

1 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 non-exempt 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 non-qualifying 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.

17 (16) 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 tax exemption identification number by the
22 Department under Section 1g of the Retailers' Occupation Tax
23 Act. If the property is leased in a manner that does not
24 qualify for this exemption or is used in any other non-exempt
25 manner, the lessor shall be liable for the tax imposed under
26 this Act or the Use Tax Act, as the case may be, based on the

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

11 (17) 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 (18) 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 (19) 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 3-75.

13 (20) 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 (21) 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 3-75.

19 (22) 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 3-75.

3 (23) Beginning August 23, 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 (24) 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 Use Tax Act, as the case may

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

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

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

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

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

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

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

1 Section 925. The Service Occupation Tax Act is amended by
2 adding Section 2e and by changing Section 3-5 as follows:

3 (35 ILCS 115/2e new)

4 Sec. 2e. Machinery and equipment exemption; Innovation
5 Zones.

6 (a) All tangible personal property to be used or consumed
7 within an Innovation Zone established pursuant to the Illinois
8 Innovation Zone Act in the process of manufacturing or assembly
9 of tangible personal property for wholesale or retail sale or
10 lease or in the process of the delivery of advanced healthcare
11 services if used or consumed at a facility which is located in
12 an Innovation Zone certified by the Department of Commerce and
13 Economic Opportunity or that is used to conduct research and
14 development activities within a facility that is located in an
15 Innovation Zone certified by the Department of Commerce and
16 Economic Opportunity is exempt from the tax imposed by this
17 Act. This exemption includes repair and replacement parts for
18 machinery and equipment used primarily in the process of
19 manufacturing or assembling tangible personal property or in
20 the process of the delivery of advanced healthcare services if
21 used or consumed at a facility which is located in an
22 Innovation Zone certified by the Department of Commerce and
23 Economic Opportunity or that is used to conduct research and
24 development activities within a facility that is located in an

1 Innovation Zone certified by the Department of Commerce and
2 Economic Opportunity.

3 (b) Any business enterprise seeking to avail itself of this
4 exemption shall make application to the Department of Commerce
5 and Economic Opportunity in such form and providing such
6 information as may be prescribed by the Department. The
7 Department shall determine whether the business enterprise
8 meets the criteria prescribed in this Section. If the
9 Department determines that such business enterprise meets the
10 criteria, it shall issue a certificate of eligibility for
11 exemption to the business enterprise in such form as is
12 prescribed by the Department of Revenue. The Department shall
13 act upon such certification requests within 60 days after
14 receipt of the application, and shall file with the Department
15 of Revenue a copy of each certificate of eligibility for
16 exemption.

17 (c) The Department of Commerce and Economic Opportunity
18 shall have the power to promulgate rules and regulations to
19 carry out the provisions of this Section including the power to
20 define the amounts and types of eligible investments not
21 specified in this Section which business enterprises must make
22 in order to receive the exemptions in this Section, and to
23 require that any business enterprise that is granted a tax
24 exemption repay the exempted tax if the business enterprise
25 fails to comply with the terms and conditions of the
26 certification.

1 (d) The certificate of eligibility for exemption shall be
2 presented by the business enterprise to its supplier when
3 making the initial purchase of tangible personal property for
4 which an exemption is granted in this Section, together with a
5 certification by the business enterprise that such tangible
6 personal property is exempt from taxation and by indicating the
7 exempt status of each subsequent purchase on the face of the
8 purchase order.

9 (e) The Department of Commerce and Economic Opportunity
10 shall determine the period during which such exemption from the
11 taxes imposed under this Act is in effect which shall not
12 exceed 20 years.

13 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

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

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

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

1 catalysts effect a direct and immediate change upon a graphic
2 arts product.

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

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

25 Farm machinery and equipment shall include precision
26 farming equipment that is installed or purchased to be

1 installed on farm machinery and equipment including, but not
2 limited to, tractors, harvesters, sprayers, planters, seeders,
3 or spreaders. Precision farming equipment includes, but is not
4 limited to, soil testing sensors, computers, monitors,
5 software, global positioning and mapping systems, and other
6 such equipment.

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

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

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

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

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

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

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

24 (13) Beginning January 1, 1992 and through June 30, 2011,
25 food for human consumption that is to be consumed off the
26 premises where it is sold (other than alcoholic beverages, soft

1 drinks and food that has been prepared for immediate
2 consumption) and prescription and non-prescription medicines,
3 drugs, medical appliances, and insulin, urine testing
4 materials, syringes, and needles used by diabetics, for human
5 use, when purchased for use by a person receiving medical
6 assistance under Article 5 of the Illinois Public Aid Code who
7 resides in a licensed long-term care facility, as defined in
8 the Nursing Home Care Act.

9 (14) Semen used for artificial insemination of livestock
10 for direct agricultural production.

11 (15) Horses, or interests in horses, registered with and
12 meeting the requirements of any of the Arabian Horse Club
13 Registry of America, Appaloosa Horse Club, American Quarter
14 Horse Association, United States Trotting Association, or
15 Jockey Club, as appropriate, used for purposes of breeding or
16 racing for prizes. This item (15) is exempt from the provisions
17 of Section 3-55, and the exemption provided for under this item
18 (15) applies for all periods beginning May 30, 1995, but no
19 claim for credit or refund is allowed on or after January 1,
20 2008 (the effective date of Public Act 95-88) for such taxes
21 paid during the period beginning May 30, 2000 and ending on
22 January 1, 2008 (the effective date of Public Act 95-88).

23 (16) Computers and communications equipment utilized for
24 any hospital purpose and equipment used in the diagnosis,
25 analysis, or treatment of hospital patients sold to a lessor
26 who leases the equipment, under a lease of one year or longer

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

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

11 (18) 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 (19) 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 (20) Beginning July 1, 1999, game or game birds sold at a
8 "game breeding and hunting preserve area" or an "exotic game
9 hunting area" as those terms are used in the Wildlife Code or
10 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 3-55.

13 (21) 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 (22) 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 3-55.

19 (23) 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 3-55.

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

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

21 (26) Beginning on January 1, 2002 and through June 30,
22 2011, tangible personal property purchased from an Illinois
23 retailer by a taxpayer engaged in centralized purchasing
24 activities in Illinois who will, upon receipt of the property
25 in Illinois, temporarily store the property in Illinois (i) for
26 the purpose of subsequently transporting it outside this State

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

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

25 (28) Beginning January 1, 2010, tangible property that is
26 used or consumed within an Innovation Zone, as that term is

1 defined in the Illinois Innovation Zone Act, in the process of
2 manufacturing or assembly of tangible property for wholesale or
3 retail sale or lease.

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

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

11 Section 930. The Retailers' Occupation Tax Act is amended
12 by changing Section 2-5 as follows:

13 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

17 (1) Farm chemicals.

18 (2) 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

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

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

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

1 agricultural chemicals. This item (7) is exempt from the
2 provisions of Section 2-70.

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

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

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

1 as defined in the Automobile Renting Occupation and Use Tax
2 Act. This paragraph is exempt from the provisions of Section
3 2-70.

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

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

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

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

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

23 (12) Tangible personal property sold to interstate
24 carriers for hire for use as rolling stock moving in interstate
25 commerce or to lessors under leases of one year or longer
26 executed or in effect at the time of purchase by interstate

1 carriers for hire for use as rolling stock moving in interstate
2 commerce and equipment operated by a telecommunications
3 provider, licensed as a common carrier by the Federal
4 Communications Commission, which is permanently installed in
5 or affixed to aircraft moving in interstate commerce.

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

24 (13) Proceeds from sales to owners, lessors, or shippers of
25 tangible personal property that is utilized by interstate
26 carriers for hire for use as rolling stock moving in interstate

1 commerce and equipment operated by a telecommunications
2 provider, licensed as a common carrier by the Federal
3 Communications Commission, which is permanently installed in
4 or affixed to aircraft moving in interstate commerce.

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

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

24 (16) Petroleum products sold to a purchaser if the seller
25 is prohibited by federal law from charging tax to the
26 purchaser.

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

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

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

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

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

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

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

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

23 (25) Except as provided in item (25-5) of this Section, a
24 motor vehicle sold in this State to a nonresident even though
25 the motor vehicle is delivered to the nonresident in this
26 State, if the motor vehicle is not to be titled in this State,

1 and if a drive-away permit is issued to the motor vehicle as
2 provided in Section 3-603 of the Illinois Vehicle Code or if
3 the nonresident purchaser has vehicle registration plates to
4 transfer to the motor vehicle upon returning to his or her home
5 state. The issuance of the drive-away permit or having the
6 out-of-state registration plates to be transferred is prima
7 facie evidence that the motor vehicle will not be titled in
8 this State.

9 (25-5) The exemption under item (25) does not apply if the
10 state in which the motor vehicle will be titled does not allow
11 a reciprocal exemption for a motor vehicle sold and delivered
12 in that state to an Illinois resident but titled in Illinois.
13 The tax collected under this Act on the sale of a motor vehicle
14 in this State to a resident of another state that does not
15 allow a reciprocal exemption shall be imposed at a rate equal
16 to the state's rate of tax on taxable property in the state in
17 which the purchaser is a resident, except that the tax shall
18 not exceed the tax that would otherwise be imposed under this
19 Act. At the time of the sale, the purchaser shall execute a
20 statement, signed under penalty of perjury, of his or her
21 intent to title the vehicle in the state in which the purchaser
22 is a resident within 30 days after the sale and of the fact of
23 the payment to the State of Illinois of tax in an amount
24 equivalent to the state's rate of tax on taxable property in
25 his or her state of residence and shall submit the statement to
26 the appropriate tax collection agency in his or her state of

1 residence. In addition, the retailer must retain a signed copy
2 of the statement in his or her records. Nothing in this item
3 shall be construed to require the removal of the vehicle from
4 this state following the filing of an intent to title the
5 vehicle in the purchaser's state of residence if the purchaser
6 titles the vehicle in his or her state of residence within 30
7 days after the date of sale. The tax collected under this Act
8 in accordance with this item (25-5) shall be proportionately
9 distributed as if the tax were collected at the 6.25% general
10 rate imposed under this Act.

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

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

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

23 (3) the seller retains in his or her books and records
24 and provides to the Department a signed and dated
25 certification from the purchaser, on a form prescribed by
26 the Department, certifying that the requirements of this

1 item (25-7) are met. The certificate must also include the
2 name and address of the purchaser, the address of the
3 location where the aircraft is to be titled or registered,
4 the address of the primary physical location of the
5 aircraft, and other information that the Department may
6 reasonably require.

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

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

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

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

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

20 (27) Horses, or interests in horses, registered with and
21 meeting the requirements of any of the Arabian Horse Club
22 Registry of America, Appaloosa Horse Club, American Quarter
23 Horse Association, United States Trotting Association, or
24 Jockey Club, as appropriate, used for purposes of breeding or
25 racing for prizes. This item (27) is exempt from the provisions
26 of Section 2-70, and the exemption provided for under this item

1 (27) applies for all periods beginning May 30, 1995, but no
2 claim for credit or refund is allowed on or after January 1,
3 2008 (the effective date of Public Act 95-88) for such taxes
4 paid during the period beginning May 30, 2000 and ending on
5 January 1, 2008 (the effective date of Public Act 95-88) .

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

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

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

1 number by the Department that assists victims of the disaster
2 who reside within the declared disaster area.

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

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

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

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

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

1 (35) Beginning January 1, 2000 and through December 31,
2 2001, new or used automatic vending machines that prepare and
3 serve hot food and beverages, including coffee, soup, and other
4 items, and replacement parts for these machines. Beginning
5 January 1, 2002 and through June 30, 2003, machines and parts
6 for machines used in commercial, coin-operated amusement and
7 vending business if a use or occupation tax is paid on the
8 gross receipts derived from the use of the commercial,
9 coin-operated amusement and vending machines. This paragraph
10 is exempt from the provisions of Section 2-70.

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

22 (36) Beginning August 2, 2001, computers and
23 communications equipment utilized for any hospital purpose and
24 equipment used in the diagnosis, analysis, or treatment of
25 hospital patients sold to a lessor who leases the equipment,
26 under a lease of one year or longer executed or in effect at

1 the time of the purchase, to a hospital that has been issued an
2 active tax exemption identification number by the Department
3 under Section 1g of this Act. This paragraph is exempt from the
4 provisions of Section 2-70.

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

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

1 paragraph (38). The permit issued under this paragraph (38)
2 shall authorize the holder, to the extent and in the manner
3 specified in the rules adopted under this Act, to purchase
4 tangible personal property from a retailer exempt from the
5 taxes imposed by this Act. Taxpayers shall maintain all
6 necessary books and records to substantiate the use and
7 consumption of all such tangible personal property outside of
8 the State of Illinois.

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

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

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

26 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-233,

1 eff. 8-16-07; 95-304, eff. 8-20-07; 95-538, eff. 1-1-08;
2 95-707, eff. 1-11-08; 95-876, eff. 8-21-08.)