



Sen. Michael Bond

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1 AMENDMENT TO SENATE BILL 2109

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2109 by replacing  
3 everything after the enacting clause with the following:

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

1 economy in Illinois and the resultant high-skill, high-wage  
2 jobs that a technology-based economy will provide for Illinois'  
3 citizens. There are certain areas in this State that need the  
4 particular attention of government, business, advanced  
5 sciences, and the citizens of Illinois to help attract  
6 investments in the advanced sciences for these areas, to  
7 directly aid the local community and its residents, and to  
8 expand the body of fundamental knowledge. These efforts must  
9 include activities that will: (1) encourage and retain  
10 entrepreneurs and our highly-skilled and educated graduates  
11 and workers; (2) develop an innovation culture that will  
12 sustain a technology pipeline; (3) supplement the resources and  
13 expertise of local technology-based companies, universities,  
14 national laboratories, hospitals and health care institutions,  
15 and other institutions; (4) encourage productive regional  
16 public and private sector collaborations; (5) ensure a skilled,  
17 technologically-competent workforce pipeline; and (6) make  
18 Illinois a premier location for technology-based businesses  
19 and entrepreneurs. An essential first step to accomplish these  
20 goals is the establishment of geographically and strategically  
21 based designated Illinois Innovation Zones and the creation of  
22 an Illinois Innovation Council to help coordinate and evaluate  
23 the progress of the Innovation Zones in achieving the goals of  
24 this Act.

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

1           "Business" means a for-profit or not-for-profit or  
2 non-profit legal entity located in an Innovation Zone  
3 including, but not limited to, any sole proprietorship,  
4 partnership, corporation, joint venture, association, or  
5 cooperative.

6           "Department" means the Department of Commerce and Economic  
7 Opportunity.

8           "Financial institution" means a trust company, a bank, a  
9 savings bank, a credit union, an investment bank, a broker, an  
10 investment trust, a pension fund, a building and loan  
11 association, a savings and loan association, an insurance  
12 company, or any venture capital company that is authorized to  
13 do business in this State.

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

16           "Participating lender" means a financial institution  
17 approved by the Department that assumes a portion of the  
18 financing for a business project.

19           "Project" means any specific economic development activity  
20 of a commercial, industrial, manufacturing, agricultural,  
21 healthcare or health services, scientific, service, or other  
22 business in an Innovation Zone, the result of which yields an  
23 increase in jobs and may include the purchase or lease of  
24 machinery and equipment, the lease or purchase of real property  
25 or funds for infrastructure necessitated by site preparation,  
26 building construction, or related purposes. "Project" does not

1 include refinancing current debt.

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

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

5 (1) is an existing technology park and has been  
6 recognized as such by the Department, including the DuPage  
7 National Technology Park, the Illinois Science +  
8 Technology Park, the Chicago Technology Park, the Research  
9 Park at the University of Illinois, the University  
10 Technology Park at the Illinois Institute of Technology,  
11 the Southern Illinois Research Park at Carbondale, the  
12 University Park at Southern Illinois University  
13 Edwardsville, and the Peoria NEXT Innovation Center; or

14 (2) is an area that meets all of the following  
15 criteria:

16 (A) Is a contiguous area that is properly zoned for  
17 commercial/industrial activity, but a zone area may  
18 exclude wholly surrounded territory within its  
19 boundaries.

20 (B) Has an established partnership that is  
21 comprised of an institution of higher education and a  
22 combination of: private businesses; business support  
23 organizations, including economic development  
24 organizations and workforce development or training  
25 organizations; commercial lending institutions;

1 venture capital networks, including angel investors;  
2 foundations; and local or county government.

3 (C) Has a concentration of, or is targeting for,  
4 development and location, technology-based businesses  
5 and entrepreneurs.

6 (D) Has a primary goal of promoting innovations  
7 leading to new business development or business  
8 expansion and retention and job creation or retention  
9 within a designated geographic area.

10 (E) Has sufficient infrastructure in place,  
11 including human capital, to support and attract  
12 technology-based businesses and entrepreneurs.

13 (F) Any additional criteria established by the  
14 Department or by law that will serve to advance the  
15 commercialization of the area's research and  
16 development, leading to the creation of new  
17 technology-based enterprises, wealth, and new job  
18 creation.

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

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

24 (b) A county or municipality may by ordinance designate an  
25 area within its jurisdiction as an Innovation Zone, subject to

1 the certification of the Department in accordance with this  
2 Act, if:

3 (1) the area is qualified in accordance with Section  
4 15; and

5 (2) the county or municipality has conducted at least  
6 one public hearing within the proposed zone area on the  
7 question of whether to create the zone, what local plans,  
8 tax incentives, or other programs should be established in  
9 connection with the Zone, and what the boundaries of the  
10 Zone should be; public notice of the hearing shall be  
11 published in at least one newspaper of general circulation  
12 within the Zone area not more than 20 days nor less than 5  
13 days before the hearing.

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

16 (1) A precise description of the area comprising the  
17 zone, either in the form of a legal description or by  
18 reference to roadways, lakes and waterways, and township  
19 and county boundaries.

20 (2) A finding that the zone area meets the  
21 qualifications of Section 15.

22 (3) Provisions for any tax incentives or reimbursement  
23 for taxes that pursuant to State and federal law apply to  
24 business enterprises within the zone at the election of the  
25 designating county or municipality and that are not  
26 applicable throughout the county or municipality.

1           (4) A designation of the area as an Innovation Zone,  
2           subject to the approval of the Department in accordance  
3           with this Act.

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

5           (d) This Section does not prohibit a municipality or county  
6           from extending additional tax incentives or reimbursement for  
7           business enterprises in Innovation Zones or throughout their  
8           territory by separate ordinance.

9           Section 25. Application to Department. A county or  
10          municipality that has adopted an ordinance designating an area  
11          as an Innovation Zone shall make written application to the  
12          Department to have the proposed Innovation Zone certified by  
13          the Department as an Innovation Zone. The application must  
14          include:

15               (1) a certified copy of the ordinance designating the  
16               proposed zone;

17               (2) a map of the proposed Innovation Zone, showing  
18               existing streets and highways, the total area, and present  
19               use and conditions generally of the land and structures  
20               within those boundaries;

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

24               (4) a statement detailing any tax, grant, and other  
25               financial incentives or benefits, and any programs, to be

1 provided by the municipality or county to business  
2 enterprises within the zone, other than those provided in  
3 the designating ordinance, that are not to be provided  
4 throughout the municipality or county;

5 (5) a statement setting forth the economic development  
6 and planning objectives for the Zone, such as a description  
7 of the methods proposed to increase economic development  
8 and expansion, to facilitate infrastructure improvement,  
9 to reduce the local regulatory burden, and to identify job  
10 training opportunities;

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

15 (7) a statement describing the functions, programs,  
16 and services to be performed by designated Zone  
17 organizations within the Zone;

18 (8) an estimate of the economic impact of the Zone,  
19 considering all of the tax incentives, financial benefits,  
20 and programs contemplated, upon the revenues of the  
21 municipality or county;

22 (9) a transcript of all public hearings on the Zone;  
23 and

24 (10) any additional information as the Department by  
25 rule may require.



1           Section 30. Department review of Innovation Zone  
2 applications.

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

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

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

18           (d) For applications submitted under the criteria in item  
19 (1) of Section 15, the Department shall notify all applicant  
20 municipalities and counties of the Department's determination  
21 of the qualification of their respective designated Innovation  
22 Zone areas within 60 days after receipt of a completed  
23 application. For applications submitted under the criteria in  
24 item (2) of Section 15, the Department shall notify all  
25 applicant municipalities and counties of the Department's  
26 determination of the qualification of their respective

1 designated Innovation Zone areas by no later than May 1.

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

14 (f) Except for as provided for in subsection (a) of this  
15 Section, by July 1 of each calendar year, the Department shall  
16 either approve or deny all applications filed by December 31 of  
17 the preceding calendar year. If an application is denied, then  
18 the Department shall inform the county or municipality of the  
19 specific reasons for the denial.

20 Section 35. Certification of Innovation Zones; effective  
21 date.

22 (a) Approval of designated Innovation Zones shall be made  
23 by the Department by certification of the designating  
24 ordinance. The Department shall promptly issue a certificate  
25 for each Innovation Zone upon its approval. The certificate

1 shall be signed by the Director of the Department, shall make  
2 specific reference to the designating ordinance, which shall be  
3 attached thereto, and shall be filed in the Office of the  
4 Secretary of State. A certified copy of the Innovation Zone  
5 Certificate, or a duplicate original thereof, shall be recorded  
6 in the office of recorder of deeds of the county in which the  
7 Innovation Zone lies.

8 (b) An Innovation Zone shall be effective upon its  
9 certification. The Department shall transmit a copy of the  
10 certification to the Department of Revenue and to the  
11 designating municipality or county. Upon certification of an  
12 Innovation Zone, the terms and provisions of the designating  
13 ordinance shall be in effect, and may not be amended or  
14 repealed except in accordance with Section 40.

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

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

23 Section 40. Amendment and decertification of Innovation  
24 Zones.

25 (a) The terms of a certified Innovation Zone designating

1 ordinance may be amended to do any of the following:

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

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

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

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

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

4           (6) Effectuate the limitation of tax abatements under  
5 Section 45.

6           No amendment of a certified Innovation Zone designating  
7 ordinance is required if the sole change is the addition of new  
8 partners to the Memorandum of Understanding or Partnership  
9 Agreement that was submitted to the Department as part of the  
10 original application to the Department. The Zone Administrator  
11 shall provide timely written notification to the Department of  
12 the names of any new partners that are added to the Memorandum  
13 of Understanding or Partnership Agreement.

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

1           (c) An Innovation Zone may be decertified by joint action  
2 of the Department and the designating county or municipality in  
3 accordance with this Section. The designating county or  
4 municipality shall conduct at least one public hearing within  
5 the Zone prior to its adoption of an ordinance of  
6 de-designation. The mayor of the designating municipality or  
7 the chairperson of the county board of the designating county  
8 shall execute a joint decertification agreement with the  
9 Department. A decertification of an Innovation Zone shall not  
10 become effective until at least 6 months after the execution of  
11 the decertification agreement, which shall be filed in the  
12 office of the Secretary of State.

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

1 certificate shall be filed in the office of the Secretary of  
2 State. A certified copy of the amended Innovation Zone  
3 certificate, or a duplicate original thereof, shall be recorded  
4 in the office of recorder of the county in which the Innovation  
5 Zone lies and shall be provided to the chief elected official  
6 of the designating county or municipality. Certification of an  
7 Innovation Zone shall not become effective until 60 days after  
8 the date of filing.

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

19 (f) Except as otherwise provided in this Act, with respect  
20 to business enterprises that are proposed or under development  
21 within a Zone at the time of a decertification or an amendment  
22 reducing the length of the term of the Zone, or excluding from  
23 the Zone area the site of the proposed enterprise, or an  
24 ordinance reducing or eliminating tax benefits in a Zone, or  
25 excluding from the Zone area the site of the proposed  
26 enterprise, or an ordinance reducing or eliminating tax

1 benefits in a Zone, such business enterprise shall be entitled  
2 to the benefits previously applicable within the Zone for the  
3 original stated term of the Zone, if the business enterprise  
4 establishes:

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

7 (2) that substantial and binding financial obligations  
8 have been made towards the development of the enterprise;  
9 and

10 (3) that the commitments have been made in reasonable  
11 reliance on the benefits and programs that were to have  
12 been applicable to the enterprise by reason of the Zone,  
13 including in the case of a reduction in term of a Zone, the  
14 original length of the term.

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

18 Section 45. Adoption of tax increment financing.

19 (a) If (i) a redevelopment project area is, will be, or has  
20 been created by a municipality under Division 74.4 of the  
21 Illinois Municipal Code, (ii) the redevelopment project area  
22 containing property that is located in an Innovation Zone,  
23 (iii) the municipality adopts an amendment to the Innovation  
24 Zone designating ordinance pursuant to Section 40 of this Act  
25 specifically concerning the abatement of taxes on property



1 located within a redevelopment project area created pursuant to  
2 Division 74.4 of the Illinois Municipal Code, and (iv) the  
3 Department certifies the ordinance amendment, then the  
4 property that is located in both the Innovation Zone and the  
5 redevelopment project area shall not be eligible for the  
6 abatement of taxes under Section 18-170 of the Property Tax  
7 Code.

8 No business or expansion or individual, however, that has  
9 constructed a new improvement or renovated or rehabilitated an  
10 existing improvement and has received an abatement on the  
11 improvement under Section 18-170 of the Property Tax Code may  
12 be denied any benefit previously extended within the Zone under  
13 this Act or under any other Illinois law providing benefits  
14 specifically to or within Innovation Zones. If the business or  
15 individual presents evidence to the municipality, then within  
16 30 days after the adoption by the municipality of an amendment  
17 to the designating ordinance, the sufficiency of which must be  
18 determined by findings of the corporate authorities made within  
19 30 days after the receipt of such evidence by the municipality,  
20 that before the date of the notice of the public hearing  
21 provided by the municipality regarding the amendment to the  
22 designating ordinance (i) the business or expansion or  
23 individual was committed to locate within the Innovation Zone,  
24 (ii) substantial and binding financial obligations were made  
25 towards the development of the business, and (iii) those  
26 commitments were made in reasonable reliance on the benefits

1 and programs that were applicable to the business or individual  
2 by reason of the Innovation Zone, then the business or  
3 expansion or individual may not be denied any benefit  
4 previously extended within the zone under this Act or under any  
5 other Illinois law providing benefits specifically to or within  
6 Innovation Zones.

7 (b) This Section applies to all property located within  
8 both a redevelopment project area adopted under Division 74.4  
9 of the Illinois Municipal Code and an Innovation Zone even if  
10 the redevelopment project area was adopted before the effective  
11 date of this Act.

12 (c) If (i) a redevelopment project is created by a  
13 municipality under Division 74.4 of the Illinois Municipal Code  
14 and (ii) the redevelopment project area contains property that  
15 is located in an Innovation Zone, then the municipality must  
16 adopt an amendment to the certified Innovation Zone designating  
17 ordinance under Section 40 that property that is located in  
18 both the Innovation Zone and the redevelopment project area  
19 shall not be eligible for any abatement of taxes under Section  
20 18-170 of the Property Tax Code for new improvements or the  
21 renovation or rehabilitation of existing improvements.

22 (d) In declaratory judgment actions under this Section, the  
23 Department and the designating municipality shall be necessary  
24 parties.

25 Section 50. Powers and duties of Department.

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

3           (1) To monitor the implementation of this Act and any  
4 suggestions for legislation to the Director of the  
5 Department and the Illinois Innovation Council by December  
6 31 of every calendar year and to annually report to the  
7 General Assembly employment, number of business  
8 establishments, the dollar value of new construction, and  
9 improvements for each Innovation Zone.

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

13           (b) The Department shall provide information and  
14 appropriate assistance to persons desiring to locate and engage  
15 in business in an Innovation Zone, to persons engage in  
16 business in an Innovation Zone and to Designated Zone  
17 Organizations operating there.

18           (c) The Department shall, in cooperation with appropriate  
19 units of local government and State agencies, coordinate and  
20 streamline existing State business assistance programs and  
21 permit and license application procedures for Innovation Zone  
22 businesses.

23           (d) The Department shall publicize existing tax incentives  
24 and economic development programs within the Zone and upon  
25 request, offer technical assistance in abatement and  
26 alternative revenue source development to local units of

1 government which have Innovation Zones within their  
2 jurisdiction.

3 (e) The Department shall provide support and assistance to  
4 the members of the Illinois Innovation Council in carrying out  
5 their responsibilities and powers established in Section 115 of  
6 this Act.

7 Section 55. State incentives regarding public services and  
8 physical infrastructure.

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

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

14 (c) The State Treasurer is authorized and encouraged to  
15 place deposits of State funds with financial institutions doing  
16 business in an Innovation Zone and to encourage angel and  
17 venture capital investments in businesses created or located in  
18 Innovation Zones.

19 (d) Priority in the use of business or technology  
20 development grant and loan programs, worker training and  
21 retraining programs, and any other grant, loan, or assistance  
22 programs administered by the Department shall be given to  
23 businesses located in an Innovation Zone.

24 Section 60. Zone administration. The administration of an

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

15 (1) Provide or contract for provision of public  
16 services.

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

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

21 (4) Receive title to publicly owned land.

22 (5) Perform such other functions as the responsible  
23 government entity may deem appropriate, including  
24 offerings and contracts for insurance with businesses  
25 within the Zone.

26 (6) To apply for and Administer any State or federal

1 grant program funds that may be awarded to the Zone for the  
2 benefit of business enterprises located in the Zone or any  
3 other public or private funds that may be awarded or  
4 otherwise received for the benefit of business enterprises  
5 or workers within the Zone.

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

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

11 Section 65. Income tax deduction.

12 (a) A taxpayer may receive a deduction against income  
13 subject to State taxes for a contribution to a designated Zone  
14 Organization if the project for which the contribution is made  
15 has been specifically approved by the designating municipality  
16 or county and by the Department.

17 (b) Any designated zone organization seeking to have a  
18 project approved for contribution must submit an application to  
19 the Department describing the nature and benefit of the project  
20 and its potential contributors. The designated Zone  
21 Organization must be fiscally responsible for the project.

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

24 (1) by creating permanent jobs;

25 (2) by furthering the ability of the Zone to attract

1 and develop technology-based business enterprises and  
2 entrepreneurs;

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

7 (4) by improving the availability of a skilled  
8 workforce that will attract and/or support  
9 technology-based business enterprises.

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

20 (e) Within 45 days after the receipt of an application, the  
21 Department shall give notice to the applicant as to whether the  
22 application has been approved or disapproved. If the Department  
23 disapproves the application, then it shall specify the reasons  
24 for this decision and allow 60 days for the applicant to amend  
25 and resubmit its application. The Department shall provide  
26 assistance upon request to applicants. The Department must

1 approve or disapprove resubmitted applications within 30 days  
2 after submission. Those resubmitted applications satisfying  
3 initial Department objectives must be approved unless  
4 reasonable circumstances warrant disapproval.

5 (f) On an annual basis, the designated Zone Organization  
6 shall furnish a statement to the Department on the programmatic  
7 and financial status of any approved project and an audited  
8 financial statement of the project.

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

23 Section 70. State and local regulatory alternatives.

24 (a) Agencies may provide in their rules for (i) the  
25 exemption of business enterprises within Innovation Zones or



1 (ii) modifications or alternatives specifically applicable to  
2 business enterprises within Innovation Zones, that impose less  
3 stringent standards or alternative standards for compliance,  
4 including performance-based standards as a substitute for  
5 specific mandates of methods, procedures, or equipment.

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

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

26 (c) Within Innovation Zones, the designating county or

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

12 Section 75. Powers and duties. The Department has the power  
13 to:

14 (1) Provide loans from the funds appropriated to a  
15 business undertaking a project and accept mortgages or  
16 other evidences of indebtedness or security of such  
17 business.

18 (2) Enter into agreements, accept funds or grants, and  
19 cooperate with agencies of the federal government, units of  
20 local government, and local regional economic development  
21 corporations or organizations for the purposes of carrying  
22 out this Act.

23 (3) Enter into contracts, letters of credit, or any  
24 other agreements or contracts with financial institutions  
25 necessary or desirable to carry out the purposes of this

1 Act. Any such agreement or contract may include, without  
2 limitation, terms and provisions relating to a specific  
3 project, such as loan documentation, review and approval  
4 procedures, organization and servicing rights, default  
5 conditions, and other program aspects.

6 (4) Fix, determine, charge, and collect any premiums,  
7 fees, charges, costs and expenses, including application  
8 fees, commitment fees, program fees, financing charges, or  
9 publication fees in connection with its activities under  
10 this Act.

11 (5) Establish application, notification, contract, and  
12 other procedures, rules, or regulations deemed necessary  
13 and appropriate.

14 (6) Subject to the provisions of any contract with  
15 another person and consent to the modification or  
16 restructuring of any loan agreement to which the Department  
17 is a party.

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

1           (8) Acquire and accept by gift, grant, purchase, or  
2 otherwise, but by condemnation, fee simple title, or such  
3 lesser interest as may be desired, in land, to improve or  
4 arrange for the improvement of that land for industrial or  
5 commercial site development purposes, and to lease or  
6 convey such land or interest in land so acquired and so  
7 improved, including sale and conveyance subject to a  
8 mortgage, for such price, upon such terms, and at such time  
9 as the Department may determine. Prior to exercising his or  
10 her authority under this subsection, the Director must find  
11 that other means of financing and developing of any such  
12 project are not reasonably available and that such action  
13 is consistent with the purposes and policies of this Act.

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

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

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

1 other form approved by the Department.

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

7 (3) Must be protected by adequate security  
8 satisfactory to the Department to secure payment of the  
9 loan agreement.

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

16 (5) Must include provisions to call the loan agreement  
17 as due and payable if the project is not completed, if the  
18 project fails to generate anticipated employment  
19 opportunities, or if the business ceases to operate the  
20 project.

21 (6) May be made only after the Department has  
22 determined that the loan will cause a project to be  
23 undertaken that has the potential to create substantial  
24 employment in relation to the principal amount of the loan.

25 (7) May be made only with a business that has certified  
26 the project is a new plant start-up or expansion and is not

1 a relocation of an existing business from another site in  
2 Illinois unless that relocation results in substantial  
3 employment growth.

4 Section 85. Loan applications.

5 (a) Applications for loans must be submitted to the  
6 Department on forms and subject to filing fees prescribed by  
7 the Department. The Department is not prohibited from  
8 soliciting applications. The Department shall conduct any  
9 investigation and obtain any information concerning the  
10 business as is necessary and diligent to complete a loan  
11 agreement. The Department's investigation must include facts  
12 about the company's history, job opportunities, stability of  
13 employment, past and present condition and structure, actual  
14 and pro-forma income statements, present and future market  
15 prospects, management qualifications, and any other aspect  
16 material to the financing request.

17 (b) After consideration of this information and after any  
18 other action that is deemed appropriate, the Department shall  
19 approve or deny the application. If the Department approves the  
20 application, its approval must specify the amount of funds to  
21 be provided and the loan agreement provisions. The Department  
22 shall promptly notify the business of its approval or denial of  
23 the application.

24 Section 90. Innovation Zone Loan Fund.

1           (a) The Innovation Zone Loan Fund is created as a special  
2 fund in the State treasury. The Department is authorized to  
3 make loans from the Fund for the purposes established under  
4 this Act. The State Treasurer has custody of the Fund and may  
5 invest in accordance with his or her statutory authority and  
6 investment policy. The purpose of the Fund is to offer loans to  
7 finance firms considering the location of a proposed business  
8 in a certified Innovation Zone and to provide financing to  
9 carry out the purposes and provisions of item (8) of Section 75  
10 of this Act. This financing must be in the form of a loan,  
11 mortgage, or other debt instrument. All loans must be  
12 conditioned on the project receiving financing from  
13 participating lenders or other sources. Loan proceeds must be  
14 available for project costs associated with an expansion of  
15 business capacity and employment, except for debt refinancing.  
16 New ventures shall be considered only if the entity is  
17 protected with adequate security with regard to its financing  
18 and operation. The limitations and conditions with respect to  
19 the use of this Fund do not apply in carrying out the purposes  
20 and provisions of item (8) of Section 75 of this Act.

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

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

25           (2) All proceeds of assets of whatever nature received  
26 by the Department as a result of default and delinquency

1 with respect to loans made under this Law, including  
2 proceeds from the sale, disposal, lease or rental of real  
3 or personal property which the Department may receive as a  
4 result thereof.

5 (3) Any appropriations, grants or gifts made to the  
6 Fund.

7 (4) Any income received from interest on investments of  
8 amounts from the Fund not currently needed to meet the  
9 obligations of the Fund.

10 Section 95. Construction. Nothing in this Act may be  
11 construed as creating any rights of a competitor of an approved  
12 borrower or any applicant whose application is denied by the  
13 Department to challenge any application which is accepted by  
14 the Department and any loan or other agreement executed in  
15 connection therewith.

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



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

5           Section 110. Federal programs. The Department is  
6 authorized to accept and expend federal moneys pursuant to this  
7 Law except that the terms and conditions hereunder that are  
8 inconsistent with or prohibited by federal authorization under  
9 which such moneys are made available do apply with respect to  
10 the expenditure of such moneys.

11           Section 115. Illinois Innovation Council.

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

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

2 (1) One representative of each Innovation Zone that has  
3 been designated by the Department, selected by the Zone  
4 Administrator of each respective Zone.

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

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

14 (4) One representative of the Department, selected by  
15 the Department, who shall serve as an ex officio member of  
16 the Council.

17 (c) The Council has the following responsibilities and  
18 powers:

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

22 (2) to propose an appropriate State role in  
23 technology-based economic development, technology  
24 commercialization, entrepreneurial development, venture  
25 capital formation, and research and development;

26 (3) to evaluate the performance of existing State

1 technology-based economic development efforts for  
2 consistency, effectiveness and coordination, as well as  
3 for their effect on fostering innovation and creating new  
4 technology jobs, and to evaluate the long-term benefits to  
5 the State of these efforts;

6 (4) to assist the Department's efforts to develop  
7 geographic Zones that have unique development  
8 opportunities and incentives for innovation and the  
9 creation of technology jobs;

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

13 (6) to facilitate the communication, cooperation, and  
14 collaboration among the State's designated Innovation  
15 Zones;

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

25 (8) to establish a Business Advisory Subcommittee  
26 comprised of representatives of business enterprises

1 located in designated Innovation Zones to ensure that  
2 business input is provided to the Council in fulfilling its  
3 responsibilities and powers and to provide expertise on the  
4 impact of policies and regulations, obstacles to  
5 development, market and industry trends, and other topics  
6 that directly or indirectly impact the Zones' ability to  
7 attract and retain technology-based business enterprises  
8 and entrepreneurs.

9 (d) The Council shall meet quarterly or at the call of a  
10 majority of the members or at the request of the Department.  
11 Members shall serve without compensation but may be reimbursed  
12 for expenses.

13 Section 900. The State Finance Act is amended by adding  
14 Section 5.719 as follows:

15 (30 ILCS 105/5.719 new)

16 Sec. 5.719. The Innovation Zone Loan Fund.

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

19 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

20 Sec. 201. Tax Imposed.

21 (a) In general. A tax measured by net income is hereby  
22 imposed on every individual, corporation, trust and estate for

1 each taxable year ending after July 31, 1969 on the privilege  
2 of earning or receiving income in or as a resident of this  
3 State. Such tax shall be in addition to all other occupation or  
4 privilege taxes imposed by this State or by any municipal  
5 corporation or political subdivision thereof.

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

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

13 (2) In the case of an individual, trust or estate, for  
14 taxable years beginning prior to July 1, 1989 and ending  
15 after June 30, 1989, an amount equal to the sum of (i) 2  
16 1/2% of the taxpayer's net income for the period prior to  
17 July 1, 1989, as calculated under Section 202.3, and (ii)  
18 3% of the taxpayer's net income for the period after June  
19 30, 1989, as calculated under Section 202.3.

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

24 (4) (Blank).

25 (5) (Blank).

26 (6) In the case of a corporation, for taxable years

1 ending prior to July 1, 1989, an amount equal to 4% of the  
2 taxpayer's net income for the taxable year.

3 (7) In the case of a corporation, for taxable years  
4 beginning prior to July 1, 1989 and ending after June 30,  
5 1989, an amount equal to the sum of (i) 4% of the  
6 taxpayer's net income for the period prior to July 1, 1989,  
7 as calculated under Section 202.3, and (ii) 4.8% of the  
8 taxpayer's net income for the period after June 30, 1989,  
9 as calculated under Section 202.3.

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

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

26 (d) Additional Personal Property Tax Replacement Income

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

12 (d-1) Rate reduction for certain foreign insurers. In the  
13 case of a foreign insurer, as defined by Section 35A-5 of the  
14 Illinois Insurance Code, whose state or country of domicile  
15 imposes on insurers domiciled in Illinois a retaliatory tax  
16 (excluding any insurer whose premiums from reinsurance assumed  
17 are 50% or more of its total insurance premiums as determined  
18 under paragraph (2) of subsection (b) of Section 304, except  
19 that for purposes of this determination premiums from  
20 reinsurance do not include premiums from inter-affiliate  
21 reinsurance arrangements), beginning with taxable years ending  
22 on or after December 31, 1999, the sum of the rates of tax  
23 imposed by subsections (b) and (d) shall be reduced (but not  
24 increased) to the rate at which the total amount of tax imposed  
25 under this Act, net of all credits allowed under this Act,  
26 shall equal (i) the total amount of tax that would be imposed

1 on the foreign insurer's net income allocable to Illinois for  
2 the taxable year by such foreign insurer's state or country of  
3 domicile if that net income were subject to all income taxes  
4 and taxes measured by net income imposed by such foreign  
5 insurer's state or country of domicile, net of all credits  
6 allowed or (ii) a rate of zero if no such tax is imposed on such  
7 income by the foreign insurer's state of domicile. For the  
8 purposes of this subsection (d-1), an inter-affiliate includes  
9 a mutual insurer under common management.

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

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

16 (B) the privilege tax imposed by Section 409 of the  
17 Illinois Insurance Code, the fire insurance company  
18 tax imposed by Section 12 of the Fire Investigation  
19 Act, and the fire department taxes imposed under  
20 Section 11-10-1 of the Illinois Municipal Code,  
21 equals 1.25% for taxable years ending prior to December 31,  
22 2003, or 1.75% for taxable years ending on or after  
23 December 31, 2003, of the net taxable premiums written for  
24 the taxable year, as described by subsection (1) of Section  
25 409 of the Illinois Insurance Code. This paragraph will in  
26 no event increase the rates imposed under subsections (b)



1 and (d).

2 (2) Any reduction in the rates of tax imposed by this  
3 subsection shall be applied first against the rates imposed  
4 by subsection (b) and only after the tax imposed by  
5 subsection (a) net of all credits allowed under this  
6 Section other than the credit allowed under subsection (i)  
7 has been reduced to zero, against the rates imposed by  
8 subsection (d).

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

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

14 (1) A taxpayer shall be allowed a credit equal to .5%  
15 of the basis of qualified property placed in service during  
16 the taxable year, provided such property is placed in  
17 service on or after July 1, 1984. There shall be allowed an  
18 additional credit equal to .5% of the basis of qualified  
19 property placed in service during the taxable year,  
20 provided such property is placed in service on or after  
21 July 1, 1986, and the taxpayer's base employment within  
22 Illinois has increased by 1% or more over the preceding  
23 year as determined by the taxpayer's employment records  
24 filed with the Illinois Department of Employment Security.  
25 Taxpayers who are new to Illinois shall be deemed to have  
26 met the 1% growth in base employment for the first year in

1       which they file employment records with the Illinois  
2       Department of Employment Security. The provisions added to  
3       this Section by Public Act 85-1200 (and restored by Public  
4       Act 87-895) shall be construed as declaratory of existing  
5       law and not as a new enactment. If, in any year, the  
6       increase in base employment within Illinois over the  
7       preceding year is less than 1%, the additional credit shall  
8       be limited to that percentage times a fraction, the  
9       numerator of which is .5% and the denominator of which is  
10      1%, but shall not exceed .5%. The investment credit shall  
11      not be allowed to the extent that it would reduce a  
12      taxpayer's liability in any tax year below zero, nor may  
13      any credit for qualified property be allowed for any year  
14      other than the year in which the property was placed in  
15      service in Illinois. For tax years ending on or after  
16      December 31, 1987, and on or before December 31, 1988, the  
17      credit shall be allowed for the tax year in which the  
18      property is placed in service, or, if the amount of the  
19      credit exceeds the tax liability for that year, whether it  
20      exceeds the original liability or the liability as later  
21      amended, such excess may be carried forward and applied to  
22      the tax liability of the 5 taxable years following the  
23      excess credit years if the taxpayer (i) makes investments  
24      which cause the creation of a minimum of 2,000 full-time  
25      equivalent jobs in Illinois, (ii) is located in an  
26      enterprise zone established pursuant to the Illinois

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

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

23 (A) is tangible, whether new or used, including  
24 buildings and structural components of buildings and  
25 signs that are real property, but not including land or  
26 improvements to real property that are not a structural

1 component of a building such as landscaping, sewer  
2 lines, local access roads, fencing, parking lots, and  
3 other appurtenances;

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

9 (C) is acquired by purchase as defined in Section  
10 179(d) of the Internal Revenue Code;

11 (D) is used in Illinois by a taxpayer who is  
12 primarily engaged in manufacturing, or in mining coal  
13 or fluorite, or in retailing, or in the provision of  
14 advanced healthcare services or treatments, or was  
15 placed in service on or after July 1, 2006 in a River  
16 Edge Redevelopment Zone established pursuant to the  
17 River Edge Redevelopment Zone Act, or was placed in  
18 service on or after July 1, 2009 in an Innovation Zone  
19 established pursuant to the Illinois Innovation Zone  
20 Act; and

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

25 (3) For purposes of this subsection (e),  
26 "manufacturing" means the material staging and production

1 of tangible personal property by procedures commonly  
2 regarded as manufacturing, processing, fabrication, or  
3 assembling which changes some existing material into new  
4 shapes, new qualities, or new combinations. For purposes of  
5 this subsection (e) the term "mining" shall have the same  
6 meaning as the term "mining" in Section 613(c) of the  
7 Internal Revenue Code. For purposes of this subsection (e),  
8 the term "retailing" means the sale of tangible personal  
9 property or services rendered in conjunction with the sale  
10 of tangible consumer goods or commodities. For the purposes  
11 of this subsection (e), "advanced healthcare services or  
12 treatments" means the direct treatment of patients using  
13 advanced medical equipment that is located in a facility in  
14 an Innovation Zone that conducts research and development  
15 activities with a State university utilizing the advanced  
16 medical equipment.

17 (4) The basis of qualified property shall be the basis  
18 used to compute the depreciation deduction for federal  
19 income tax purposes.

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

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

1           (7) If during any taxable year, any property ceases to  
2 be qualified property in the hands of the taxpayer within  
3 48 months after being placed in service, or the situs of  
4 any qualified property is moved outside Illinois within 48  
5 months after being placed in service, the Personal Property  
6 Tax Replacement Income Tax for such taxable year shall be  
7 increased. Such increase shall be determined by (i)  
8 recomputing the investment credit which would have been  
9 allowed for the year in which credit for such property was  
10 originally allowed by eliminating such property from such  
11 computation and, (ii) subtracting such recomputed credit  
12 from the amount of credit previously allowed. For the  
13 purposes of this paragraph (7), a reduction of the basis of  
14 qualified property resulting from a redetermination of the  
15 purchase price shall be deemed a disposition of qualified  
16 property to the extent of such reduction.

17           (8) Unless the investment credit is extended by law,  
18 the basis of qualified property shall not include costs  
19 incurred after December 31, 2008, except for costs incurred  
20 pursuant to a binding contract entered into on or before  
21 December 31, 2008.

22           (9) Each taxable year ending before December 31, 2000,  
23 a partnership may elect to pass through to its partners the  
24 credits to which the partnership is entitled under this  
25 subsection (e) for the taxable year. A partner may use the  
26 credit allocated to him or her under this paragraph only

1       against the tax imposed in subsections (c) and (d) of this  
2       Section. If the partnership makes that election, those  
3       credits shall be allocated among the partners in the  
4       partnership in accordance with the rules set forth in  
5       Section 704(b) of the Internal Revenue Code, and the rules  
6       promulgated under that Section, and the allocated amount of  
7       the credits shall be allowed to the partners for that  
8       taxable year. The partnership shall make this election on  
9       its Personal Property Tax Replacement Income Tax return for  
10      that taxable year. The election to pass through the credits  
11      shall be irrevocable.

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

26      (f) Investment credit; Enterprise Zone; River Edge

1 Redevelopment Zone; Innovation Zone.

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



1 credit shall be allowed for the tax year in which the  
2 property is placed in service, or, if the amount of the  
3 credit exceeds the tax liability for that year, whether it  
4 exceeds the original liability or the liability as later  
5 amended, such excess may be carried forward and applied to  
6 the tax liability of the 5 taxable years following the  
7 excess credit year. The credit shall be applied to the  
8 earliest year for which there is a liability. If there is  
9 credit from more than one tax year that is available to  
10 offset a liability, the credit accruing first in time shall  
11 be applied first.

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

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

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

20 (C) is acquired by purchase as defined in Section  
21 179(d) of the Internal Revenue Code;

22 (D) is used in the Enterprise Zone or River Edge  
23 Redevelopment Zone or Innovation Zone by the taxpayer;  
24 and

25 (E) has not been previously used in Illinois in  
26 such a manner and by such a person as would qualify for

1           the credit provided by this subsection (f) or  
2           subsection (e).

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

6           (4) If the basis of the property for federal income tax  
7           depreciation purposes is increased after it has been placed  
8           in service in the Enterprise Zone or River Edge  
9           Redevelopment Zone or Innovation Zone by the taxpayer, the  
10          amount of such increase shall be deemed property placed in  
11          service on the date of such increase in basis.

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

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

1 allowed. For the purposes of this paragraph (6), a  
2 reduction of the basis of qualified property resulting from  
3 a redetermination of the purchase price shall be deemed a  
4 disposition of qualified property to the extent of such  
5 reduction.

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

23 (8) There shall be allowed an additional credit equal  
24 to 0.5% of the basis of qualified property placed in  
25 service during the taxable year in an Innovation Zone,  
26 provided such property is placed in service on or after

1       July 1, 2009, and the taxpayer's base employment within  
2       Illinois has increased by 1% or more over the preceding  
3       year as determined by the taxpayer's employment records  
4       filed with the Illinois Department of Employment Security.  
5       Taxpayers who are new to Illinois shall be deemed to have  
6       met the 1% growth in base employment for the first year in  
7       which they file employment records with the Illinois  
8       Department of Employment Security. If, in any year, the  
9       increase in base employment within Illinois over the  
10       preceding year is less than 1%, the additional credit shall  
11       be limited to that percentage times a fraction, the  
12       numerator of which is 0.5% and the denominator of which is  
13       1%, but shall not exceed 0.5%.

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

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

1 (2) To qualify for the credit:

2 (A) the taxpayer must hire 5 or more eligible  
3 employees to work in an enterprise zone, River Edge  
4 Redevelopment Zone, an Innovation Zone, or federally  
5 designated Foreign Trade Zone or Sub-Zone during the  
6 taxable year;

7 (B) the taxpayer's total employment within the  
8 enterprise zone, Innovation Zone, River Edge  
9 Redevelopment Zone, or federally designated Foreign  
10 Trade Zone or Sub-Zone must increase by 5 or more  
11 full-time employees beyond the total employed in that  
12 zone at the end of the previous tax year for which a  
13 jobs tax credit under this Section was taken, or beyond  
14 the total employed by the taxpayer as of December 31,  
15 1985, whichever is later; and

16 (C) the eligible employees must be employed 180  
17 consecutive days in order to be deemed hired for  
18 purposes of this subsection.

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

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

1           (B) Hired after the enterprise zone, Innovation  
2           Zone, River Edge Redevelopment Zone, or federally  
3           designated Foreign Trade Zone or Sub-Zone was  
4           designated or the trade or business was located in that  
5           zone, whichever is later.

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

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

15          (4) For tax years ending on or after December 31, 1985  
16          and prior to December 31, 1988, the credit shall be allowed  
17          for the tax year in which the eligible employees are hired.  
18          For tax years ending on or after December 31, 1988, the  
19          credit shall be allowed for the tax year immediately  
20          following the tax year in which the eligible employees are  
21          hired. If the amount of the credit exceeds the tax  
22          liability for that year, whether it exceeds the original  
23          liability or the liability as later amended, such excess  
24          may be carried forward and applied to the tax liability of  
25          the 5 taxable years following the excess credit year. The  
26          credit shall be applied to the earliest year for which

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

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

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

9           (h) Investment credit; High Impact Business.

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

1 subsections (a) and (b) of this Section to below zero. The  
2 credit applicable to such investments shall be taken in the  
3 taxable year in which such investments have been completed.  
4 The credit for additional investments beyond the minimum  
5 investment by a designated high impact business authorized  
6 under subdivision (a) (3) (A) of Section 5.5 of the Illinois  
7 Enterprise Zone Act shall be available only in the taxable  
8 year in which the property is placed in service and shall  
9 not be allowed to the extent that it would reduce a  
10 taxpayer's liability for the tax imposed by subsections (a)  
11 and (b) of this Section to below zero. For tax years ending  
12 on or after December 31, 1987, the credit shall be allowed  
13 for the tax year in which the property is placed in  
14 service, or, 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, the  
22 credit accruing first in time shall be applied first.

23 Changes made in this subdivision (h) (1) by Public Act  
24 88-670 restore changes made by Public Act 85-1182 and  
25 reflect existing law.

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



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

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

8 (C) is acquired by purchase as defined in Section  
9 179(d) of the Internal Revenue Code; and

10 (D) is not eligible for the Enterprise Zone  
11 Investment Credit provided by subsection (f) of this  
12 Section.

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

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

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

24 (6) If during any taxable year ending on or before  
25 December 31, 1996, any property ceases to be qualified  
26 property in the hands of the taxpayer within 48 months

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

16 (7) Beginning with tax years ending after December 31,  
17 1996, if a taxpayer qualifies for the credit under this  
18 subsection (h) and thereby is granted a tax abatement and  
19 the taxpayer relocates its entire facility in violation of  
20 the explicit terms and length of the contract under Section  
21 18-183 of the Property Tax Code, the tax imposed under  
22 subsections (a) and (b) of this Section shall be increased  
23 for the taxable year in which the taxpayer relocated its  
24 facility by an amount equal to the amount of credit  
25 received by the taxpayer under this subsection (h).

26 (i) Credit for Personal Property Tax Replacement Income

1 Tax. For tax years ending prior to December 31, 2003, a credit  
2 shall be allowed against the tax imposed by subsections (a) and  
3 (b) of this Section for the tax imposed by subsections (c) and  
4 (d) of this Section. This credit shall be computed by  
5 multiplying the tax imposed by subsections (c) and (d) of this  
6 Section by a fraction, the numerator of which is base income  
7 allocable to Illinois and the denominator of which is Illinois  
8 base income, and further multiplying the product by the tax  
9 rate imposed by subsections (a) and (b) of this Section.

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

24 If, during any taxable year ending on or after December 31,  
25 1986, the tax imposed by subsections (c) and (d) of this  
26 Section for which a taxpayer has claimed a credit under this

1 subsection (i) is reduced, the amount of credit for such tax  
2 shall also be reduced. Such reduction shall be determined by  
3 recomputing the credit to take into account the reduced tax  
4 imposed by subsections (c) and (d). If any portion of the  
5 reduced amount of credit has been carried to a different  
6 taxable year, an amended return shall be filed for such taxable  
7 year to reduce the amount of credit claimed.

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

1 Any credit allowed under this subsection which is unused in  
2 the year the credit is earned may be carried forward to each of  
3 the 5 taxable years following the year for which the credit is  
4 first computed until it is used. This credit shall be applied  
5 first to the earliest year for which there is a liability. If  
6 there is a credit under this subsection from more than one tax  
7 year that is available to offset a liability the earliest  
8 credit arising under this subsection shall be applied first. No  
9 carryforward credit may be claimed in any tax year ending on or  
10 after December 31, 2003.

11 (k) Research and development credit.

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

1 Code.

2 For purposes of this subsection, "qualifying expenditures"  
3 means the qualifying expenditures as defined for the federal  
4 credit for increasing research activities which would be  
5 allowable under Section 41 of the Internal Revenue Code and  
6 which are conducted in this State, "qualifying expenditures for  
7 increasing research activities in this State" means the excess  
8 of qualifying expenditures for the taxable year in which  
9 incurred over qualifying expenditures for the base period,  
10 "qualifying expenditures for the base period" means the average  
11 of the qualifying expenditures for each year in the base  
12 period, and "base period" means the 3 taxable years immediately  
13 preceding the taxable year for which the determination is being  
14 made.

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

23 If an unused credit is carried forward to a given year from  
24 2 or more earlier years, that credit arising in the earliest  
25 year will be applied first against the tax liability for the  
26 given year. If a tax liability for the given year still

1 remains, the credit from the next earliest year will then be  
2 applied, and so on, until all credits have been used or no tax  
3 liability for the given year remains. Any remaining unused  
4 credit or credits then will be carried forward to the next  
5 following year in which a tax liability is incurred, except  
6 that no credit can be carried forward to a year which is more  
7 than 5 years after the year in which the expense for which the  
8 credit is given was incurred.

9 No inference shall be drawn from this amendatory Act of the  
10 91st General Assembly in construing this Section for taxable  
11 years beginning before January 1, 1999.

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

21 (1) Environmental Remediation Tax Credit.

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

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



1 Section 267 of the Internal Revenue Code by virtue of being  
2 a related taxpayer, as well as any of its partners. The  
3 credit allowed against the tax imposed by subsections (a)  
4 and (b) shall be equal to 25% of the unreimbursed eligible  
5 remediation costs in excess of \$100,000 per site, except  
6 that the \$100,000 threshold shall not apply to any site  
7 contained in an enterprise zone as determined by the  
8 Department of Commerce and Community Affairs (now  
9 Department of Commerce and Economic Opportunity). The  
10 total credit allowed shall not exceed \$40,000 per year with  
11 a maximum total of \$150,000 per site. For partners and  
12 shareholders of subchapter S corporations, there shall be  
13 allowed a credit under this subsection to be determined in  
14 accordance with the determination of income and  
15 distributive share of income under Sections 702 and 704 and  
16 subchapter S of the Internal Revenue Code.

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

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

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

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

1 custodian of qualifying pupils exceed \$500. In no event shall a  
2 credit under this subsection reduce the taxpayer's liability  
3 under this Act to less than zero. This subsection is exempt  
4 from the provisions of Section 250 of this Act.

5 For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

12 (iv) This subsection is exempt from the provisions of  
13 Section 250.

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

15 (35 ILCS 5/218 new)

16 Sec. 218. Innovation Zone investment tax credit.

17 (a) Any taxpayer primarily engaged in technology-based  
18 activities and innovation within a designated Innovation Zone  
19 that pays its employees that work a minimum of 30 hours per  
20 week within the State a median annual wage equal or greater  
21 than 125% of the average annual wage paid by all employers in  
22 the State to employees that work a minimum of 30 hours per week  
23 within the State and that provides benefits typical to the  
24 technology industry, is allowed a credit of 10% of the cost or  
25 other basis for federal tax purposes of tangible personal

1 property and other tangible property, including buildings and  
2 structural components of buildings acquired, constructed,  
3 reconstructed, or leased with situs in Illinois and principally  
4 used in technology-based activities and processes after  
5 December 31, 2009.

6 For the purposes of this subsection (a):

7 "Employees" means those that work a minimum of 30 hours per  
8 week within the State with benefits typical to the  
9 technology-based industry.

10 "Principally engaged in technology-based activities and  
11 processes" means the company's sales of technology-based  
12 products, services or costs related to the development of  
13 technology-based products and services constitute at least 50%  
14 of its overall receipts or its overall costs respectively

15 "Tangible personal property" and "other tangible property"  
16 includes buildings and structural components of buildings  
17 acquired, constructed, reconstructed, or leased with situs in  
18 Illinois and principally used in the production of  
19 technology-based products or services:

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

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

22 (3) is acquired by purchase as defined in 26 U.S.C.  
23 179(d), or

24 (4) is acquired by lease based on the fair market value  
25 of the property at the inception of the lease times the  
26 portion of the depreciable life of the property represented

1 by the term of the lease, excluding renewal options, for a  
2 term of 20 years; and

3 (5) does not include vehicles or furniture.

4 "Wages" means all remuneration paid for personal services,  
5 including commissions and bonuses and the cash value of all  
6 remuneration paid in any medium other than cash and all other  
7 remuneration which is defined as taxable wages by the Internal  
8 Revenue Service, as certified by the department of labor and  
9 training.

10 (b) Except as provided under subsection (c) of this  
11 Section, if the amount of credit allowable for any taxable year  
12 is less than the amount of credit available to the taxpayer,  
13 then any amount of credit not used in the taxable year will be  
14 available the following year or years not to exceed 15 years  
15 and may be deducted from the taxpayer's tax for the year or  
16 years. (c) The credit may be extended beyond 7 years only in a  
17 year in which:

18 (1) the company maintains an average quarterly number  
19 of employees for each calendar year that is 9.5% greater  
20 than average quarter number of employees in the 4th year of  
21 the initial credit;

22 (2) the company's average quarterly medium wage is not  
23 less than the company's average of its quarterly median  
24 wage for the 3 previous calendar years;

25 (3) the company pays its employees a median annual wage  
26 equal or greater than 125% of the average annual wage paid



1 by all employers in the State; and

2 (4) the Department certifies to the Department of  
3 Revenue that the criteria in items (1) through (3) of this  
4 subsection (b) have been met.

5 Unused credits after the 7th year are forfeited permanently if  
6 any of these wage and employment criteria are unmet after the  
7 7th year.

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

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

14 (35 ILCS 10/5-23 new)

15 Sec. 5-23. Economic development for a growing economy tax  
16 credit program.

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

1 is defined in the Illinois Innovation Zone Act. As  
2 circumstances require, the Department may require a formal  
3 application from an Applicant and a formal letter of request  
4 for assistance.

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

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

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

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

20 Section 915. The Use Tax Act is amended by changing Section  
21 3-5 as follows:

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

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

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

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

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

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

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

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

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

26 (7) Farm chemicals.

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

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

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

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

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

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

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

1 provisions of Section 3-90.

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

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

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

26 (15) Photoprocessing machinery and equipment, including

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

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

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

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



1 a particular purchaser.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

1 number issued by the Department.

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

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

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

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

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

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

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

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

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

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

26           (11) Proceeds from the sale of photoprocessing machinery

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (35 ILCS 115/2e new)

10 Sec. 2e. Machinery and equipment exemption; Innovation  
11 Zones.

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

1 manufacturing or assembling tangible personal property or in  
2 the process of the delivery of advanced healthcare services if  
3 used or consumed at a facility which is located in an  
4 Innovation Zone certified by the Department of Commerce and  
5 Economic Opportunity or that is used to conduct research and  
6 development activities within a facility that is located in an  
7 Innovation Zone certified by the Department of Commerce and  
8 Economic Opportunity.

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

23 (c) The Department of Commerce and Economic Opportunity  
24 shall have the power to promulgate rules and regulations to  
25 carry out the provisions of this Section including the power to  
26 define the amounts and types of eligible investments not

1 specified in this Section which business enterprises must make  
2 in order to receive the exemptions in this Section; and to  
3 require that any business enterprise that is granted a tax  
4 exemption repay the exempted tax if the business enterprise  
5 fails to comply with the terms and conditions of the  
6 certification.

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

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

19 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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



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

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

7 (3) Personal property purchased by any not-for-profit arts  
8 or 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 sold by a teacher-sponsored student  
10 organization affiliated with an elementary or secondary school  
11 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 3-55.

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, to the extent that the proceeds of the  
5 service charge are in fact turned over as tips or as a  
6 substitute for tips to the employees who participate directly  
7 in preparing, serving, hosting or cleaning up the food or  
8 beverage function with respect to which the service charge is  
9 imposed.

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

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

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

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

4 (13) Beginning January 1, 1992 and through June 30, 2011,  
5 food for human consumption that is to be consumed off the  
6 premises where it is sold (other than alcoholic beverages, soft  
7 drinks and food that has been prepared for immediate  
8 consumption) and prescription and non-prescription medicines,  
9 drugs, medical appliances, and insulin, urine testing  
10 materials, syringes, and needles used by diabetics, for human  
11 use, when purchased for use by a person receiving medical  
12 assistance under Article 5 of the Illinois Public Aid Code who  
13 resides in a licensed long-term care facility, as defined in  
14 the Nursing Home Care Act.

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

17 (15) Horses, or interests in horses, registered with and  
18 meeting the requirements of any of the Arabian Horse Club  
19 Registry of America, Appaloosa Horse Club, American Quarter  
20 Horse Association, United States Trotting Association, or  
21 Jockey Club, as appropriate, used for purposes of breeding or  
22 racing for prizes. This item (15) is exempt from the provisions  
23 of Section 3-55, and the exemption provided for under this item  
24 (15) applies for all periods beginning May 30, 1995, but no  
25 claim for credit or refund is allowed on or after January 1,  
26 2008 (the effective date of Public Act 95-88) for such taxes

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

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

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

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

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

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

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

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

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

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



1 serve hot food and beverages, including coffee, soup, and other  
2 items, and replacement parts for these machines. Beginning  
3 January 1, 2002 and through June 30, 2003, machines and parts  
4 for machines used in commercial, coin-operated amusement and  
5 vending business if a use or occupation tax is paid on the  
6 gross receipts derived from the use of the commercial,  
7 coin-operated amusement and vending machines. This paragraph  
8 is exempt from the provisions of Section 3-55.

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

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

1           (26) Beginning on January 1, 2002 and through June 30,  
2 2011, tangible personal property purchased from an Illinois  
3 retailer by a taxpayer engaged in centralized purchasing  
4 activities in Illinois who will, upon receipt of the property  
5 in Illinois, temporarily store the property in Illinois (i) for  
6 the purpose of subsequently transporting it outside this State  
7 for use or consumption thereafter solely outside this State or  
8 (ii) for the purpose of being processed, fabricated, or  
9 manufactured into, attached to, or incorporated into other  
10 tangible personal property to be transported outside this State  
11 and thereafter used or consumed solely outside this State. The  
12 Director of Revenue shall, pursuant to rules adopted in  
13 accordance with the Illinois Administrative Procedure Act,  
14 issue a permit to any taxpayer in good standing with the  
15 Department who is eligible for the exemption under this  
16 paragraph (26). The permit issued under this paragraph (26)  
17 shall authorize the holder, to the extent and in the manner  
18 specified in the rules adopted under this Act, to purchase  
19 tangible personal property from a retailer exempt from the  
20 taxes imposed by this Act. Taxpayers shall maintain all  
21 necessary books and records to substantiate the use and  
22 consumption of all such tangible personal property outside of  
23 the State of Illinois.

24           (27) Beginning January 1, 2008, tangible personal property  
25 used in the construction or maintenance of a community water  
26 supply, as defined under Section 3.145 of the Environmental

1 Protection Act, that is operated by a not-for-profit  
2 corporation that holds a valid water supply permit issued under  
3 Title IV of the Environmental Protection Act. This paragraph is  
4 exempt from the provisions of Section 3-55.

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

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

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

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

19 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

23 (1) Farm chemicals.

24 (2) Farm machinery and equipment, both new and used,

1 including that manufactured on special order, certified by the  
2 purchaser to be used primarily for production agriculture or  
3 State or federal agricultural programs, including individual  
4 replacement parts for the machinery and equipment, including  
5 machinery and equipment purchased for lease, and including  
6 implements of husbandry defined in Section 1-130 of the  
7 Illinois Vehicle Code, farm machinery and agricultural  
8 chemical and fertilizer spreaders, and nurse wagons required to  
9 be registered under Section 3-809 of the Illinois Vehicle Code,  
10 but excluding other motor vehicles required to be registered  
11 under the Illinois Vehicle Code. Horticultural polyhouses or  
12 hoop houses used for propagating, growing, or overwintering  
13 plants shall be considered farm machinery and equipment under  
14 this item (2). Agricultural chemical tender tanks and dry boxes  
15 shall include units sold separately from a motor vehicle  
16 required to be licensed and units sold mounted on a motor  
17 vehicle required to be licensed, if the selling price of the  
18 tender is separately stated.

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

1 Farm machinery and equipment also includes computers,  
2 sensors, software, and related equipment used primarily in the  
3 computer-assisted operation of production agriculture  
4 facilities, equipment, and activities such as, but not limited  
5 to, the collection, monitoring, and correlation of animal and  
6 crop data for the purpose of formulating animal diets and  
7 agricultural chemicals. This item (7) is exempt from the  
8 provisions of Section 2-70.

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

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

24 (5) A motor vehicle of the first division, a motor vehicle  
25 of the second division that is a self contained motor vehicle  
26 designed or permanently converted to provide living quarters

1 for recreational, camping, or travel use, with direct walk  
2 through access to the living quarters from the driver's seat,  
3 or a motor vehicle of the second division that is of the van  
4 configuration designed for the transportation of not less than  
5 7 nor more than 16 passengers, as defined in Section 1-146 of  
6 the Illinois Vehicle Code, that is used for automobile renting,  
7 as defined in the Automobile Renting Occupation and Use Tax  
8 Act. This paragraph is exempt from the provisions of Section  
9 2-70.

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

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

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

19 (9) Personal property sold to a not-for-profit arts or  
20 cultural organization that establishes, by proof required by  
21 the Department by rule, that it has received an exemption under  
22 Section 501(c)(3) of the Internal Revenue Code and that is  
23 organized and operated primarily for the presentation or  
24 support of arts or cultural programming, activities, or  
25 services. These organizations include, but are not limited to,  
26 music and dramatic arts organizations such as symphony

1 orchestras and theatrical groups, arts and cultural service  
2 organizations, local arts councils, visual arts organizations,  
3 and media arts organizations. On and after the effective date  
4 of this amendatory Act of the 92nd General Assembly, however,  
5 an entity otherwise eligible for this exemption shall not make  
6 tax-free purchases unless it has an active identification  
7 number issued by the Department.

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

15 (11) Personal property sold to a governmental body, to a  
16 corporation, society, association, foundation, or institution  
17 organized and operated exclusively for charitable, religious,  
18 or educational purposes, or to a not-for-profit corporation,  
19 society, association, foundation, institution, or organization  
20 that has no compensated officers or employees and that is  
21 organized and operated primarily for the recreation of persons  
22 55 years of age or older. A limited liability company may  
23 qualify for the exemption under this paragraph only if the  
24 limited liability company is organized and operated  
25 exclusively for educational purposes. On and after July 1,  
26 1987, however, no entity otherwise eligible for this exemption

1 shall make tax-free purchases unless it has an active  
2 identification number issued by the Department.

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

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



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

4 (13) Proceeds from sales to owners, lessors, or shippers of  
5 tangible personal property that is utilized by interstate  
6 carriers for hire for use as rolling stock moving in interstate  
7 commerce and equipment operated by a telecommunications  
8 provider, licensed as a common carrier by the Federal  
9 Communications Commission, which is permanently installed in  
10 or affixed to aircraft moving in interstate commerce.

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

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

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

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

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

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

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

1 required to be registered under the Illinois Vehicle Code.

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

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

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

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

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

1 by the seller to the purchaser's barge, ship, or vessel while  
2 it is afloat upon that bordering river.

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

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

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

17 (25-7) Beginning on July 1, 2007, no tax is imposed under  
18 this Act on the sale of an aircraft, as defined in Section 3 of  
19 the Illinois Aeronautics Act, if all of the following  
20 conditions are met:

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

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

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

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

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

18           "Registered in this State" means an aircraft registered  
19 with the Department of Transportation, Aeronautics Division,  
20 or titled or registered with the Federal Aviation  
21 Administration to an address located in this State.

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

24           (26) Semen used for artificial insemination of livestock  
25 for direct agricultural production.

26           (27) Horses, or interests in horses, registered with and

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

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

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

25 (30) Beginning with taxable years ending on or after  
26 December 31, 1995 and ending with taxable years ending on or

1 before December 31, 2004, personal property that is donated for  
2 disaster relief to be used in a State or federally declared  
3 disaster area in Illinois or bordering Illinois by a  
4 manufacturer or retailer that is registered in this State to a  
5 corporation, society, association, foundation, or institution  
6 that has been issued a sales tax exemption identification  
7 number by the Department that assists victims of the disaster  
8 who reside within the declared disaster area.

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

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



1           (33) A motor vehicle, as that term is defined in Section  
2 1-146 of the Illinois Vehicle Code, that is donated to a  
3 corporation, limited liability company, society, association,  
4 foundation, or institution that is determined by the Department  
5 to be organized and operated exclusively for educational  
6 purposes. For purposes of this exemption, "a corporation,  
7 limited liability company, society, association, foundation,  
8 or institution organized and operated exclusively for  
9 educational purposes" means all tax-supported public schools,  
10 private schools that offer systematic instruction in useful  
11 branches of learning by methods common to public schools and  
12 that compare favorably in their scope and intensity with the  
13 course of study presented in tax-supported schools, and  
14 vocational or technical schools or institutes organized and  
15 operated exclusively to provide a course of study of not less  
16 than 6 weeks duration and designed to prepare individuals to  
17 follow a trade or to pursue a manual, technical, mechanical,  
18 industrial, business, or commercial occupation.

19           (34) Beginning January 1, 2000, personal property,  
20 including food, purchased through fundraising events for the  
21 benefit of a public or private elementary or secondary school,  
22 a group of those schools, or one or more school districts if  
23 the events are sponsored by an entity recognized by the school  
24 district that consists primarily of volunteers and includes  
25 parents and teachers of the school children. This paragraph  
26 does not apply to fundraising events (i) for the benefit of

1 private home instruction or (ii) for which the fundraising  
2 entity purchases the personal property sold at the events from  
3 another individual or entity that sold the property for the  
4 purpose of resale by the fundraising entity and that profits  
5 from the sale to the fundraising entity. This paragraph is  
6 exempt from the provisions of Section 2-70.

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

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

1 the Nursing Home Care Act.

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

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

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

1 tangible personal property to be transported outside this State  
2 and thereafter used or consumed solely outside this State. The  
3 Director of Revenue shall, pursuant to rules adopted in  
4 accordance with the Illinois Administrative Procedure Act,  
5 issue a permit to any taxpayer in good standing with the  
6 Department who is eligible for the exemption under this  
7 paragraph (38). The permit issued under this paragraph (38)  
8 shall authorize the holder, to the extent and in the manner  
9 specified in the rules adopted under this Act, to purchase  
10 tangible personal property from a retailer exempt from the  
11 taxes imposed by this Act. Taxpayers shall maintain all  
12 necessary books and records to substantiate the use and  
13 consumption of all such tangible personal property outside of  
14 the State of Illinois.

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

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

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

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