Sen. Michael Bond

Filed: 3/24/2009

AMENDMENT TO SENATE BILL 2109

AMENDMENT NO. ______. Amend Senate Bill 2109 by replacing everything after the enacting clause with the following:

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

Section 5. Findings. The General Assembly finds that Illinois faces considerable challenges as it confronts increasing global competition, turbulent financial markets, recessionary pressures, and mounting unemployment levels. Although Illinois businesses, entrepreneurs, and institutions have a rich history of innovation, other states and nations have instituted major financial incentive programs specifically targeted at businesses, institutions, and entrepreneurs to accelerate the pace of innovation and job creation. The State must continue the development of, and implement new measures to, create a vibrant technology-based economy in Illinois and the resultant high-skill, high-wage jobs that a technology-based economy will provide for Illinois' citizens. There are certain areas in this State that need the particular attention of government, business, advanced sciences, and the citizens of Illinois to help attract investments in the advanced sciences for these areas, to directly aid the local community and its residents, and to expand the body of fundamental knowledge. These efforts must include activities that will: (1) encourage and retain entrepreneurs and our highly-skilled and educated graduates and workers; (2) develop an innovation culture that will sustain a technology pipeline; (3) supplement the resources and expertise of local technology-based companies, universities, national laboratories, hospitals and health care institutions, and other institutions; (4) encourage productive regional public and private sector collaborations; (5) ensure a skilled, technologically-competent workforce pipeline; and (6) make Illinois a premier location for technology-based businesses and entrepreneurs. An essential first step to accomplish these goals is the establishment of geographically and strategically based designated Illinois Innovation Zones and the creation of an Illinois Innovation Council to help coordinate and evaluate the progress of the Innovation Zones in achieving the goals of this Act.

Section 10. Definitions. As used in this Act:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 30. Department review of Innovation Zone applications.

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

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

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

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

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

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

Section 35. Certification of Innovation Zones; effective date.

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

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

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

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

Section 40. Amendment and decertification of Innovation Zones.

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

(1) Alter the boundaries of the Innovation Zones.

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

(3) Alter the termination date of the Zone.

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 45. Adoption of tax increment financing.

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

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

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

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

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

Section 50. Powers and duties of Department.

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

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

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

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

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

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

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

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

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

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

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

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

Section 60. Zone administration. The administration of an

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

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

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

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

(4) Receive title to publicly owned land.

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

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

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

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

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

Section 65. Income tax deduction.

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

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

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

(1) by creating permanent jobs;

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

and develop technology-based business enterprises and entrepreneurs;

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

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

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

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

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

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

Section 70. State and local regulatory alternatives.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other form approved by the Department.

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

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

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

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

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

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

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

Section 85. Loan applications.

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

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

Section 90. Innovation Zone Loan Fund.

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

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

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

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

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

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

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

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

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

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

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

Section 115. Illinois Innovation Council.

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

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

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

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

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

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

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

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

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

(3) to evaluate the performance of existing State

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

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

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

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

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

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

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

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

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

(30 ILCS 105/5.719 new)

<u>Sec. 5.719. The Innovation Zone Loan Fund.</u>

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

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

Sec. 201. Tax Imposed.

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

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

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

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

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

(4) (Blank).

(5) (Blank).

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

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

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

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

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

(d) Additional Personal Property Tax Replacement Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Investment credit; Enterprise Zone; River Edge

Redevelopment Zone<u>; Innovation Zone</u>.

(1) A taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for investment in qualified property which is placed in service in an Enterprise Zone created pursuant to the Illinois Enterprise Zone Act or, for property placed in service on or after July 1, 2006, a River Edge Redevelopment Zone established pursuant to the River Edge Redevelopment Zone Act <u>or, for investment in qualified property which is placed in service in an Innovation Zone created pursuant to the Illinois Innovation Zone Act</u>. For partners, shareholders of Subchapter S corporations, and owners of limited liability companies, if the liability company is treated as a partnership for purposes of federal and State income taxation, there shall be allowed a credit under this subsection (f) to be determined in accordance with the determination of income and distributive share of income under Sections 702 and 704 and Subchapter S of the Internal Revenue Code. The credit shall be .5% of the basis for such property. The credit shall be available only in the taxable year in which the property is placed in service in the Enterprise Zone or River Edge Redevelopment Zone <u>or Innovation Zone</u> and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. For tax years ending on or after December 31, 1985, the

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

(2) The term qualified property means property which:

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

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

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

(D) is used in the Enterprise Zone or River Edge Redevelopment Zone <u>or Innovation Zone</u> by the taxpayer; and

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

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

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

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

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

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

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

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

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

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

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

(2) To qualify for the credit:

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

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

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

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

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

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

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

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

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

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

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

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

(h) Investment credit; High Impact Business.

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

subsections (a) and (b) of this Section to below zero. The credit applicable to such investments shall be taken in the taxable year in which such investments have been completed. The credit for additional investments beyond the minimum investment by a designated high impact business authorized under subdivision (a)(3)(A) of Section 5.5 of the Illinois Enterprise Zone Act shall be available only in the taxable year in which the property is placed in service and shall not be allowed to the extent that it would reduce a taxpayer's liability for the tax imposed by subsections (a) and (b) of this Section to below zero. For tax years ending on or after December 31, 1987, the credit shall be allowed for the tax year in which the property is placed in service, or, if the amount of the credit exceeds the tax liability for that year, whether it exceeds the original liability or the liability as later amended, such excess may be carried forward and applied to the tax liability of the 5 taxable years following the excess credit year. The credit shall be applied to the earliest year for which there is a liability. If there is credit from more than one tax year that is available to offset a liability, the credit accruing first in time shall be applied first.

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

(2) The term qualified property means property which:

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

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

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

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

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

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

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

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

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

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

(i) Credit for Personal Property Tax Replacement Income

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

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

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

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

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

(k) Research and development credit.

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

Code.

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

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

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

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

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

(l) Environmental Remediation Tax Credit.

(i) For tax years ending after December 31, 1997 and on or before December 31, 2001, a taxpayer shall be allowed a credit against the tax imposed by subsections (a) and (b) of this Section for certain amounts paid for unreimbursed eligible remediation costs, as specified in this subsection. For purposes of this Section, "unreimbursed eligible remediation costs" means costs approved by the Illinois Environmental Protection Agency ("Agency") under Section 58.14 of the Environmental Protection Act that were paid in performing environmental remediation at a site for which a No Further Remediation Letter was issued by the Agency and recorded under Section 58.10 of the Environmental Protection Act. The credit must be claimed for the taxable year in which Agency approval of the eligible remediation costs is granted. The credit is not available to any taxpayer if the taxpayer or any related party caused or contributed to, in any material respect, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action pursuant to the Site Remediation Program of the Environmental Protection Act. After the Pollution Control Board rules are adopted pursuant to the Illinois Administrative Procedure Act for the administration and enforcement of Section 58.9 of the Environmental Protection Act, determinations as to credit availability for purposes of this Section shall be made consistent with those rules. For purposes of this Section, "taxpayer" includes a person whose tax attributes the taxpayer has succeeded to under Section 381 of the Internal Revenue Code and "related party" includes the persons disallowed a deduction for losses by paragraphs (b), (c), and (f)(1) of

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

(ii) A credit allowed under this subsection that is unused in the year the credit is earned may be carried forward to each of the 5 taxable years following the year for which the credit is first earned until it is used. The term "unused credit" does not include any amounts of unreimbursed eligible remediation costs in excess of the maximum credit per site authorized under paragraph (i). This credit shall be applied first to the earliest year for which there is a liability. If there is a credit under this subsection from more than one tax year that is available to offset a liability, the earliest credit arising under this subsection shall be applied first. A credit allowed under this subsection may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The purchaser of a remediation site and the tax credit shall succeed to the unused credit and remaining carry-forward period of the seller. To perfect the transfer, the assignor shall record the transfer in the chain of title for the site and provide written notice to the Director of the Illinois Department of Revenue of the assignor's intent to sell the remediation site and the amount of the tax credit to be transferred as a portion of the sale. In no event may a credit be transferred to any taxpayer if the taxpayer or a related party would not be eligible under the provisions of subsection (i).

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

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

For purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

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

(35 ILCS 5/218 new)

Sec. 218. Innovation Zone investment tax credit.

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

For the purposes of this subsection (a):

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

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

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

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

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

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

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

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

(5) does not include vehicles or furniture.

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

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

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

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

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

by all employers in the State; and

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

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

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

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

(35 ILCS 10/5-23 new)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) Farm chemicals.

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

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

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

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

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

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

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

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

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

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

(15) Photoprocessing machinery and equipment, including

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

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

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

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

a particular purchaser.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

number issued by the Department.

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

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

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

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

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

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

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

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

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

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

(11) Proceeds from the sale of photoprocessing machinery

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

telecommunication services that are purchased or used within an Innovation Zone, as that term is defined in the Illinois Innovation Zone Act, and have been in operation less than 8 years.
(Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876, eff. 8-21-08.)

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

(35 ILCS 115/2e new)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

stopovers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Farm chemicals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

required to be registered under the Illinois Vehicle Code.

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

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

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

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

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

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

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

(25-5) The exemption under item (25) does not apply if the state in which the motor vehicle will be titled does not allow a reciprocal exemption for a motor vehicle sold and delivered in that state to an Illinois resident but titled in Illinois. The tax collected under this Act on the sale of a motor vehicle in this State to a resident of another state that does not allow a reciprocal exemption shall be imposed at a rate equal to the state's rate of tax on taxable property in the state in which the purchaser is a resident, except that the tax shall not exceed the tax that would otherwise be imposed under this Act. At the time of the sale, the purchaser shall execute a statement, signed under penalty of perjury, of his or her intent to title the vehicle in the state in which the purchaser is a resident within 30 days after the sale and of the fact of the payment to the State of Illinois of tax in an amount equivalent to the state's rate of tax on taxable property in his or her state of residence and shall submit the statement to the appropriate tax collection agency in his or her state of residence. In addition, the retailer must retain a signed copy of the statement in his or her records. Nothing in this item shall be construed to require the removal of the vehicle from this state following the filing of an intent to title the vehicle in the purchaser's state of residence if the purchaser titles the vehicle in his or her state of residence within 30 days after the date of sale. The tax collected under this Act in accordance with this item (25-5) shall be proportionately distributed as if the tax were collected at the 6.25% general rate imposed under this Act.

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

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

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

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

For purposes of this item (25-7):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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