



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

SB3664

Introduced 2/10/2012, by Sen. Sue Rezin

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5
35 ILCS 105/3-85
35 ILCS 110/2 from Ch. 120, par. 439.32
35 ILCS 110/3-5
35 ILCS 110/3-70
35 ILCS 115/2 from Ch. 120, par. 439.102
35 ILCS 115/3-5
35 ILCS 120/2-5

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Repeals the manufacturer's purchase credit on December 31, 2012. Creates an exemption beginning on January 1, 2013 for tangible personal property that is incorporated into real estate within a manufacturing or graphic arts facility and used or consumed for research and development or used or consumed in activities including preproduction material handling, quality control, inventory control, storage, staging, and packaging for shipping and transportation purposes. Effective immediately.

LRB097 17378 HLH 62580 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Use Tax Act is amended by changing Sections
5 3-5 and 3-85 as follows:

6 (35 ILCS 105/3-5)

7 (Text of Section before amendment by P.A. 97-636)

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

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

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

20 (3) Personal property purchased by a not-for-profit arts or
21 cultural organization that establishes, by proof required by
22 the Department by rule, that it has received an exemption under
23 Section 501(c)(3) of the Internal Revenue Code and that is

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

12 (4) Personal property purchased by a governmental body, by
13 a corporation, society, association, foundation, or
14 institution organized and operated exclusively for charitable,
15 religious, or educational purposes, or by a not-for-profit
16 corporation, society, association, foundation, institution, or
17 organization that has no compensated officers or employees and
18 that is organized and operated primarily for the recreation of
19 persons 55 years of age or older. A limited liability company
20 may qualify for the exemption under this paragraph only if the
21 limited liability company is organized and operated
22 exclusively for educational purposes. On and after July 1,
23 1987, however, no entity otherwise eligible for this exemption
24 shall make tax-free purchases unless it has an active exemption
25 identification number issued by the Department.

26 (5) Until July 1, 2003, a passenger car that is a

1 replacement vehicle to the extent that the purchase price of
2 the car is subject to the Replacement Vehicle Tax.

3 (6) Until July 1, 2003 and beginning again on September 1,
4 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
5 machinery and equipment, including repair and replacement
6 parts, both new and used, and including that manufactured on
7 special order, certified by the purchaser to be used primarily
8 for graphic arts production, and including machinery and
9 equipment purchased for lease. Equipment includes chemicals or
10 chemicals acting as catalysts but only if the chemicals or
11 chemicals acting as catalysts effect a direct and immediate
12 change upon a graphic arts product.

13 (7) Farm chemicals.

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

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

21 (10) A motor vehicle of the first division, a motor vehicle
22 of the second division that is a self-contained motor vehicle
23 designed or permanently converted to provide living quarters
24 for recreational, camping, or travel use, with direct walk
25 through to the living quarters from the driver's seat, or a
26 motor vehicle of the second division that is of the van

1 configuration designed for the transportation of not less than
2 7 nor more than 16 passengers, as defined in Section 1-146 of
3 the Illinois Vehicle Code, that is used for automobile renting,
4 as defined in the Automobile Renting Occupation and Use Tax
5 Act.

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

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

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

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

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

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

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

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

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

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

24 (17) Until July 1, 2003, distillation machinery and
25 equipment, sold as a unit or kit, assembled or installed by the
26 retailer, certified by the user to be used only for the

1 production of ethyl alcohol that will be used for consumption
2 as motor fuel or as a component of motor fuel for the personal
3 use of the user, and not subject to sale or resale.

4 (18) Until January 1, 2013, manufacturing ~~Manufacturing~~
5 and assembling machinery and equipment used primarily in the
6 process of manufacturing or assembling tangible personal
7 property for wholesale or retail sale or lease, whether that
8 sale or lease is made directly by the manufacturer or by some
9 other person, whether the materials used in the process are
10 owned by the manufacturer or some other person, or whether that
11 sale or lease is made apart from or as an incident to the
12 seller's engaging in the service occupation of producing
13 machines, tools, dies, jigs, patterns, gauges, or other similar
14 items of no commercial value on special order for a particular
15 purchaser.

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

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

23 (21) Horses, or interests in horses, registered with and
24 meeting the requirements of any of the Arabian Horse Club
25 Registry of America, Appaloosa Horse Club, American Quarter
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes. This item (21) is exempt from the provisions
3 of Section 3-90, and the exemption provided for under this item
4 (21) applies for all periods beginning May 30, 1995, but no
5 claim for credit or refund is allowed on or after January 1,
6 2008 for such taxes paid during the period beginning May 30,
7 2000 and ending on January 1, 2008.

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

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

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

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

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

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

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

25 (27) A motor vehicle, as that term is defined in Section
26 1-146 of the Illinois Vehicle Code, that is donated to a

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

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

1 another individual or entity that sold the property for the
2 purpose of resale by the fundraising entity and that profits
3 from the sale to the fundraising entity. This paragraph is
4 exempt from the provisions of Section 3-90.

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

15 (30) Beginning January 1, 2001 and through June 30, 2011,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages, soft
18 drinks, and food that has been prepared for immediate
19 consumption) and prescription and nonprescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article V of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act, or in a licensed facility as defined
26 in the ID/DD Community Care Act or the Specialized Mental

1 Health Rehabilitation Act.

2 (31) Beginning on the effective date of this amendatory Act
3 of the 92nd General Assembly, computers and communications
4 equipment utilized for any hospital purpose and equipment used
5 in the diagnosis, analysis, or treatment of hospital patients
6 purchased by a lessor who leases the equipment, under a lease
7 of one year or longer executed or in effect at the time the
8 lessor would otherwise be subject to the tax imposed by this
9 Act, to a hospital that has been issued an active tax exemption
10 identification number by the Department under Section 1g of the
11 Retailers' Occupation Tax Act. If the equipment is leased in a
12 manner that does not qualify for this exemption or is used in
13 any other nonexempt manner, the lessor shall be liable for the
14 tax imposed under this Act or the Service Use Tax Act, as the
15 case may be, based on the fair market value of the property at
16 the time the nonqualifying use occurs. No lessor shall collect
17 or attempt to collect an amount (however designated) that
18 purports to reimburse that lessor for the tax imposed by this
19 Act or the Service Use Tax Act, as the case may be, if the tax
20 has not been paid by the lessor. If a lessor improperly
21 collects any such amount from the lessee, the lessee shall have
22 a legal right to claim a refund of that amount from the lessor.
23 If, however, that amount is not refunded to the lessee for any
24 reason, the lessor is liable to pay that amount to the
25 Department. This paragraph is exempt from the provisions of
26 Section 3-90.

1 (32) Beginning on the effective date of this amendatory Act
2 of the 92nd General Assembly, personal property purchased by a
3 lessor who leases the property, under a lease of one year or
4 longer executed or in effect at the time the lessor would
5 otherwise be subject to the tax imposed by this Act, to a
6 governmental body that has been issued an active sales tax
7 exemption identification number by the Department under
8 Section 1g of the Retailers' Occupation Tax Act. If the
9 property is leased in a manner that does not qualify for this
10 exemption or used in any other nonexempt manner, the lessor
11 shall be liable for the tax imposed under this Act or the
12 Service Use Tax Act, as the case may be, based on the fair
13 market value of the property at the time the nonqualifying use
14 occurs. No lessor shall collect or attempt to collect an amount
15 (however designated) that purports to reimburse that lessor for
16 the tax imposed by this Act or the Service Use Tax Act, as the
17 case may be, if the tax has not been paid by the lessor. If a
18 lessor improperly collects any such amount from the lessee, the
19 lessee shall have a legal right to claim a refund of that
20 amount from the lessor. If, however, that amount is not
21 refunded to the lessee for any reason, the lessor is liable to
22 pay that amount to the Department. This paragraph is exempt
23 from the provisions of Section 3-90.

24 (33) On and after July 1, 2003 and through June 30, 2004,
25 the use in this State of motor vehicles of the second division
26 with a gross vehicle weight in excess of 8,000 pounds and that

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

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

24 (35) Beginning January 1, 2010, materials, parts,
25 equipment, components, and furnishings incorporated into or
26 upon an aircraft as part of the modification, refurbishment,

1 completion, replacement, repair, or maintenance of the
2 aircraft. This exemption includes consumable supplies used in
3 the modification, refurbishment, completion, replacement,
4 repair, and maintenance of aircraft, but excludes any
5 materials, parts, equipment, components, and consumable
6 supplies used in the modification, replacement, repair, and
7 maintenance of aircraft engines or power plants, whether such
8 engines or power plants are installed or uninstalled upon any
9 such aircraft. "Consumable supplies" include, but are not
10 limited to, adhesive, tape, sandpaper, general purpose
11 lubricants, cleaning solution, latex gloves, and protective
12 films. This exemption applies only to those organizations that
13 (i) hold an Air Agency Certificate and are empowered to operate
14 an approved repair station by the Federal Aviation
15 Administration, (ii) have a Class IV Rating, and (iii) conduct
16 operations in accordance with Part 145 of the Federal Aviation
17 Regulations. The exemption does not include aircraft operated
18 by a commercial air carrier providing scheduled passenger air
19 service pursuant to authority issued under Part 121 or Part 129
20 of the Federal Aviation Regulations.

21 (36) Tangible personal property purchased by a
22 public-facilities corporation, as described in Section
23 11-65-10 of the Illinois Municipal Code, for purposes of
24 constructing or furnishing a municipal convention hall, but
25 only if the legal title to the municipal convention hall is
26 transferred to the municipality without any further

1 consideration by or on behalf of the municipality at the time
2 of the completion of the municipal convention hall or upon the
3 retirement or redemption of any bonds or other debt instruments
4 issued by the public-facilities corporation in connection with
5 the development of the municipal convention hall. This
6 exemption includes existing public-facilities corporations as
7 provided in Section 11-65-25 of the Illinois Municipal Code.
8 This paragraph is exempt from the provisions of Section 3-90.

9 (37) Beginning on January 1, 2013, and through December 31,
10 2022, tangible personal property that is incorporated into real
11 estate within a manufacturing or graphic arts facility and used
12 or consumed for research and development or used or consumed in
13 activities including preproduction material handling, quality
14 control, inventory control, storage, staging, and packaging
15 for shipping and transportation purposes.

16 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
17 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
18 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
19 8-16-11; revised 9-12-11.)

20 (Text of Section after amendment by P.A. 97-636)

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

23 (1) Personal property purchased from a corporation,
24 society, association, foundation, institution, or
25 organization, other than a limited liability company, that is

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

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

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

23 (4) Personal property purchased by a governmental body, by
24 a corporation, society, association, foundation, or
25 institution organized and operated exclusively for charitable,
26 religious, or educational purposes, or by a not-for-profit

1 corporation, society, association, foundation, institution, or
2 organization that has no compensated officers or employees and
3 that is organized and operated primarily for the recreation of
4 persons 55 years of age or older. A limited liability company
5 may qualify for the exemption under this paragraph only if the
6 limited liability company is organized and operated
7 exclusively for educational purposes. On and after July 1,
8 1987, however, no entity otherwise eligible for this exemption
9 shall make tax-free purchases unless it has an active exemption
10 identification number issued by the Department.

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

14 (6) Until July 1, 2003 and beginning again on September 1,
15 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
16 machinery and equipment, including repair and replacement
17 parts, both new and used, and including that manufactured on
18 special order, certified by the purchaser to be used primarily
19 for graphic arts production, and including machinery and
20 equipment purchased for lease. Equipment includes chemicals or
21 chemicals acting as catalysts but only if the chemicals or
22 chemicals acting as catalysts effect a direct and immediate
23 change upon a graphic arts product.

24 (7) Farm chemicals.

25 (8) Legal tender, currency, medallions, or gold or silver
26 coinage issued by the State of Illinois, the government of the

1 United States of America, or the government of any foreign
2 country, and bullion.

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

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

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

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

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

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

26 (12) Fuel and petroleum products sold to or used by an air

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

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

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

24 (15) Photoprocessing machinery and equipment, including
25 repair and replacement parts, both new and used, including that
26 manufactured on special order, certified by the purchaser to be

1 used primarily for photoprocessing, and including
2 photoprocessing machinery and equipment purchased for lease.

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

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

15 (18) Until January 1, 2013, manufacturing ~~Manufacturing~~
16 and assembling machinery and equipment used primarily in the
17 process of manufacturing or assembling tangible personal
18 property for wholesale or retail sale or lease, whether that
19 sale or lease is made directly by the manufacturer or by some
20 other person, whether the materials used in the process are
21 owned by the manufacturer or some other person, or whether that
22 sale or lease is made apart from or as an incident to the
23 seller's engaging in the service occupation of producing
24 machines, tools, dies, jigs, patterns, gauges, or other similar
25 items of no commercial value on special order for a particular
26 purchaser.

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

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

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

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

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

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

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

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

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

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

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

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

1 industrial, business, or commercial occupation.

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

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

26 (30) Beginning January 1, 2001 and through June 30, 2016,

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

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

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

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

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

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

1 whether for-hire or not.

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

9 (35) Beginning January 1, 2010, materials, parts,
10 equipment, components, and furnishings incorporated into or
11 upon an aircraft as part of the modification, refurbishment,
12 completion, replacement, repair, or maintenance of the
13 aircraft. This exemption includes consumable supplies used in
14 the modification, refurbishment, completion, replacement,
15 repair, and maintenance of aircraft, but excludes any
16 materials, parts, equipment, components, and consumable
17 supplies used in the modification, replacement, repair, and
18 maintenance of aircraft engines or power plants, whether such
19 engines or power plants are installed or uninstalled upon any
20 such aircraft. "Consumable supplies" include, but are not
21 limited to, adhesive, tape, sandpaper, general purpose
22 lubricants, cleaning solution, latex gloves, and protective
23 films. This exemption applies only to those organizations that
24 (i) hold an Air Agency Certificate and are empowered to operate
25 an approved repair station by the Federal Aviation
26 Administration, (ii) have a Class IV Rating, and (iii) conduct

1 operations in accordance with Part 145 of the Federal Aviation
2 Regulations. The exemption does not include aircraft operated
3 by a commercial air carrier providing scheduled passenger air
4 service pursuant to authority issued under Part 121 or Part 129
5 of the Federal Aviation Regulations.

6 (36) Tangible personal property purchased by a
7 public-facilities corporation, as described in Section
8 11-65-10 of the Illinois Municipal Code, for purposes of
9 constructing or furnishing a municipal convention hall, but
10 only if the legal title to the municipal convention hall is
11 transferred to the municipality without any further
12 consideration by or on behalf of the municipality at the time
13 of the completion of the municipal convention hall or upon the
14 retirement or redemption of any bonds or other debt instruments
15 issued by the public-facilities corporation in connection with
16 the development of the municipal convention hall. This
17 exemption includes existing public-facilities corporations as
18 provided in Section 11-65-25 of the Illinois Municipal Code.
19 This paragraph is exempt from the provisions of Section 3-90.

20 (37) Beginning on January 1, 2013, and through December 31,
21 2022, tangible personal property that is incorporated into real
22 estate within a manufacturing or graphic arts facility and used
23 or consumed for research and development or used or consumed in
24 activities including preproduction material handling, quality
25 control, inventory control, storage, staging, and packaging
26 for shipping and transportation purposes.

1 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
2 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
3 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
4 8-16-11; 97-636, eff. 6-1-12.)

5 (35 ILCS 105/3-85)

6 Sec. 3-85. Manufacturer's Purchase Credit. For purchases
7 of machinery and equipment made on and after January 1, 1995
8 through June 30, 2003, and on and after September 1, 2004
9 through December 31, 2012 ~~August 30, 2014~~, a purchaser of
10 manufacturing machinery and equipment that qualifies for the
11 exemption provided by paragraph (18) of Section 3-5 of this Act
12 earns a credit in an amount equal to a fixed percentage of the
13 tax which would have been incurred under this Act on those
14 purchases. For purchases of graphic arts machinery and
15 equipment made on or after July 1, 1996 and through June 30,
16 2003, and on and after September 1, 2004 through December 31,
17 2012 ~~August 30, 2014~~, a purchaser of graphic arts machinery and
18 equipment that qualifies for the exemption provided by
19 paragraph (6) of Section 3-5 of this Act earns a credit in an
20 amount equal to a fixed percentage of the tax that would have
21 been incurred under this Act on those purchases. The credit
22 earned for purchases of manufacturing machinery and equipment
23 or graphic arts machinery and equipment shall be referred to as
24 the Manufacturer's Purchase Credit. A graphic arts producer is
25 a person engaged in graphic arts production as defined in

1 Section 2-30 of the Retailers' Occupation Tax Act. Beginning
2 July 1, 1996, all references in this Section to manufacturers
3 or manufacturing shall also be deemed to refer to graphic arts
4 producers or graphic arts production.

5 The amount of credit shall be a percentage of the tax that
6 would have been incurred on the purchase of manufacturing
7 machinery and equipment or graphic arts machinery and equipment
8 if the exemptions provided by paragraph (6) or paragraph (18)
9 of Section 3-5 of this Act had not been applicable. The
10 percentage shall be as follows:

11 (1) 15% for purchases made on or before June 30, 1995.

12 (2) 25% for purchases made after June 30, 1995, and on
13 or before June 30, 1996.

14 (3) 40% for purchases made after June 30, 1996, and on
15 or before June 30, 1997.

16 (4) 50% for purchases made on or after July 1, 1997.

17 (a) Manufacturer's Purchase Credit earned prior to July 1,
18 2003. This subsection (a) applies to Manufacturer's Purchase
19 Credit earned prior to July 1, 2003. A purchaser of production
20 related tangible personal property desiring to use the
21 Manufacturer's Purchase Credit shall certify to the seller
22 prior to October 1, 2003 that the purchaser is satisfying all
23 or part of the liability under the Use Tax Act or the Service
24 Use Tax Act that is due on the purchase of the production
25 related tangible personal property by use of Manufacturer's
26 Purchase Credit. The Manufacturer's Purchase Credit

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

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

15 No Manufacturer's Purchase Credit earned prior to July 1,
16 2003 may be used after October 1, 2003. The Manufacturer's
17 Purchase Credit may be used to satisfy liability under the Use
18 Tax Act or the Service Use Tax Act due on the purchase of
19 production related tangible personal property (including
20 purchases by a manufacturer, by a graphic arts producer, or by
21 a lessor who rents or leases the use of the property to a
22 manufacturer or graphic arts producer) that does not otherwise
23 qualify for the manufacturing machinery and equipment
24 exemption or the graphic arts machinery and equipment
25 exemption. "Production related tangible personal property"
26 means (i) all tangible personal property used or consumed by

1 the purchaser in a manufacturing facility in which a
2 manufacturing process described in Section 2-45 of the
3 Retailers' Occupation Tax Act takes place, including tangible
4 personal property purchased for incorporation into real estate
5 within a manufacturing facility and including, but not limited
6 to, tangible personal property used or consumed in activities
7 such as preproduction material handling, receiving, quality
8 control, inventory control, storage, staging, and packaging
9 for shipping and transportation purposes; (ii) all tangible
10 personal property used or consumed by the purchaser in a
11 graphic arts facility in which graphic arts production as
12 described in Section 2-30 of the Retailers' Occupation Tax Act
13 takes place, including tangible personal property purchased
14 for incorporation into real estate within a graphic arts
15 facility and including, but not limited to, all tangible
16 personal property used or consumed in activities such as
17 graphic arts preliminary or pre-press production,
18 pre-production material handling, receiving, quality control,
19 inventory control, storage, staging, sorting, labeling,
20 mailing, tying, wrapping, and packaging; and (iii) all tangible
21 personal property used or consumed by the purchaser for
22 research and development. "Production related tangible
23 personal property" does not include (i) tangible personal
24 property used, within or without a manufacturing facility, in
25 sales, purchasing, accounting, fiscal management, marketing,
26 personnel recruitment or selection, or landscaping or (ii)

1 tangible personal property required to be titled or registered
2 with a department, agency, or unit of federal, state, or local
3 government. The Manufacturer's Purchase Credit may be used,
4 prior to October 1, 2003, to satisfy the tax arising either
5 from the purchase of machinery and equipment on or after
6 January 1, 1995 for which the exemption provided by paragraph
7 (18) of Section 3-5 of this Act was erroneously claimed, or the
8 purchase of machinery and equipment on or after July 1, 1996
9 for which the exemption provided by paragraph (6) of Section
10 3-5 of this Act was erroneously claimed, but not in
11 satisfaction of penalty, if any, and interest for failure to
12 pay the tax when due. A purchaser of production related
13 tangible personal property who is required to pay Illinois Use
14 Tax or Service Use Tax on the purchase directly to the
15 Department may, prior to October 1, 2003, utilize the
16 Manufacturer's Purchase Credit in satisfaction of the tax
17 arising from that purchase, but not in satisfaction of penalty
18 and interest. A purchaser who uses the Manufacturer's Purchase
19 Credit to purchase property which is later determined not to be
20 production related tangible personal property may be liable for
21 tax, penalty, and interest on the purchase of that property as
22 of the date of purchase but shall be entitled to use the
23 disallowed Manufacturer's Purchase Credit, so long as it has
24 not expired and is used prior to October 1, 2003, on qualifying
25 purchases of production related tangible personal property not
26 previously subject to credit usage. The Manufacturer's

1 Purchase Credit earned by a manufacturer or graphic arts
2 producer expires the last day of the second calendar year
3 following the calendar year in which the credit arose. No
4 Manufacturer's Purchase Credit may be used after September 30,
5 2003 regardless of when that credit was earned.

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

1 Purchase Credit earned on each purchase.

2 A purchaser using Manufacturer's Purchase Credit shall
3 sign and file an annual Report of Manufacturer's Purchase
4 Credit Used for each calendar year no later than the last day
5 of the sixth month following the calendar year in which a
6 Manufacturer's Purchase Credit is used. A Report of
7 Manufacturer's Purchase Credit Used shall be filed on forms as
8 prescribed or approved by the Department and shall state, for
9 each month of the calendar year: (i) the total purchase price
10 of production related tangible personal property purchased
11 from Illinois suppliers; (ii) the total purchase price of
12 production related tangible personal property purchased from
13 out-of-state suppliers; (iii) the total amount of credit used
14 during such month; and (iv) such other information as the
15 Department may reasonably require. A purchaser using
16 Manufacturer's Purchase Credit shall maintain records that
17 identify, as to each purchase of production related tangible
18 personal property on which the purchaser used Manufacturer's
19 Purchase Credit, the vendor (including, if applicable, either
20 the vendor's registration number or Federal Employer
21 Identification Number), the purchase price, and the amount of
22 Manufacturer's Purchase Credit used on each purchase.

23 No annual report shall be filed before May 1, 1996 or after
24 June 30, 2004. A purchaser that fails to file an annual Report
25 of Manufacturer's Purchase Credit Earned or an annual Report of
26 Manufacturer's Purchase Credit Used by the last day of the

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

26 If the purchaser is not the manufacturer or a graphic arts

1 producer, but rents or leases the use of the property to a
2 manufacturer or graphic arts producer, the purchaser may earn,
3 report, and use Manufacturer's Purchase Credit in the same
4 manner as a manufacturer or graphic arts producer.

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

16 (b) Manufacturer's Purchase Credit earned on and after
17 September 1, 2004. This subsection (b) applies to
18 Manufacturer's Purchase Credit earned on and after September 1,
19 2004. Manufacturer's Purchase Credit earned on or after
20 September 1, 2004 may only be used to satisfy the Use Tax or
21 Service Use Tax liability incurred on production related
22 tangible personal property purchased on or after September 1,
23 2004. A purchaser of production related tangible personal
24 property desiring to use the Manufacturer's Purchase Credit
25 shall certify to the seller that the purchaser is satisfying
26 all or part of the liability under the Use Tax Act or the

1 Service Use Tax Act that is due on the purchase of the
2 production related tangible personal property by use of
3 Manufacturer's Purchase Credit. The Manufacturer's Purchase
4 Credit certification must be dated and shall include the name
5 and address of the purchaser, the purchaser's registration
6 number, if registered, the credit being applied, and a
7 statement that the State Use Tax or Service Use Tax liability
8 is being satisfied with the manufacturer's or graphic arts
9 producer's accumulated purchase credit. Certification may be
10 incorporated into the manufacturer's or graphic arts
11 producer's purchase order. Manufacturer's Purchase Credit
12 certification provided by the manufacturer or graphic arts
13 producer may be used to satisfy the retailer's or serviceman's
14 liability under the Retailers' Occupation Tax Act or Service
15 Occupation Tax Act for the credit claimed, not to exceed 6.25%
16 of the receipts subject to tax from a qualifying purchase, but
17 only if the retailer or serviceman reports the Manufacturer's
18 Purchase Credit claimed as required by the Department. The
19 Manufacturer's Purchase Credit earned by purchase of exempt
20 manufacturing machinery and equipment or graphic arts
21 machinery and equipment is a non-transferable credit. A
22 manufacturer or graphic arts producer that enters into a
23 contract involving the installation of tangible personal
24 property into real estate within a manufacturing or graphic
25 arts production facility may, on or after September 1, 2004,
26 authorize a construction contractor to utilize credit

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

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

1 manufacturing process described in Section 2-45 of the
2 Retailers' Occupation Tax Act takes place, including tangible
3 personal property purchased for incorporation into real estate
4 within a manufacturing facility and including, but not limited
5 to, tangible personal property used or consumed in activities
6 such as preproduction material handling, receiving, quality
7 control, inventory control, storage, staging, and packaging
8 for shipping and transportation purposes; (ii) all tangible
9 personal property used or consumed by the purchaser in a
10 graphic arts facility in which graphic arts production as
11 described in Section 2-30 of the Retailers' Occupation Tax Act
12 takes place, including tangible personal property purchased
13 for incorporation into real estate within a graphic arts
14 facility and including, but not limited to, all tangible
15 personal property used or consumed in activities such as
16 graphic arts preliminary or pre-press production,
17 pre-production material handling, receiving, quality control,
18 inventory control, storage, staging, sorting, labeling,
19 mailing, tying, wrapping, and packaging; and (iii) all tangible
20 personal property used or consumed by the purchaser for
21 research and development. "Production related tangible
22 personal property" does not include (i) tangible personal
23 property used, within or without a manufacturing facility, in
24 sales, purchasing, accounting, fiscal management, marketing,
25 personnel recruitment or selection, or landscaping or (ii)
26 tangible personal property required to be titled or registered

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

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

1 year no later than the last day of the sixth month following
2 the calendar year in which a Manufacturer's Purchase Credit is
3 used. A Report of Manufacturer's Purchase Credit Used shall be
4 filed on forms as prescribed or approved by the Department and
5 shall state, for each month of the calendar year: (i) the total
6 purchase price of production related tangible personal
7 property purchased from Illinois suppliers; (ii) the total
8 purchase price of production related tangible personal
9 property purchased from out-of-state suppliers; (iii) the
10 total amount of credit used during such month; and (iv) such
11 other information as the Department may reasonably require. A
12 purchaser using Manufacturer's Purchase Credit shall maintain
13 records that identify, as to each purchase of production
14 related tangible personal property on which the purchaser used
15 Manufacturer's Purchase Credit, the vendor (including, if
16 applicable, either the vendor's registration number or Federal
17 Employer Identification Number), the purchase price, and the
18 amount of Manufacturer's Purchase Credit used on each purchase.

19 A purchaser that fails to file an annual Report of
20 Manufacturer's Purchase Credit Earned or an annual Report of
21 Manufacturer's Purchase Credit Used by the last day of the
22 sixth month following the end of the calendar year shall
23 forfeit all Manufacturer's Purchase Credit for that calendar
24 year unless it establishes that its failure to file was due to
25 reasonable cause. Manufacturer's Purchase Credit reports may
26 be amended to report and claim credit on qualifying purchases

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

1 reported as required in this Section and (ii) for any
2 applicable penalties and interest for failing to pay the tax
3 when due.

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

5 Section 10. The Service Use Tax Act is amended by changing
6 Sections 2, 3-5, and 3-70 as follows:

7 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

8 Sec. 2. "Use" means the exercise by any person of any right
9 or power over tangible personal property incident to the
10 ownership of that property, but does not include the sale or
11 use for demonstration by him of that property in any form as
12 tangible personal property in the regular course of business.
13 "Use" does not mean the interim use of tangible personal
14 property nor the physical incorporation of tangible personal
15 property, as an ingredient or constituent, into other tangible
16 personal property, (a) which is sold in the regular course of
17 business or (b) which the person incorporating such ingredient
18 or constituent therein has undertaken at the time of such
19 purchase to cause to be transported in interstate commerce to
20 destinations outside the State of Illinois.

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

24 "Purchaser" means any person who, through a sale of

1 service, acquires the ownership of, or title to, any tangible
2 personal property.

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

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

25 "Department" means the Department of Revenue.

26 "Person" means any natural individual, firm, partnership,

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

5 "Sale of service" means any transaction except:

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

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

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

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

1 an incident to the rendering of service for interstate
2 carriers for hire for use as rolling stock moving in
3 interstate commerce or by lessors under a lease of one year
4 or longer, executed or in effect at the time of purchase of
5 personal property, to interstate carriers for hire for use
6 as rolling stock moving in interstate commerce so long as
7 so used by such interstate carriers for hire, and equipment
8 operated by a telecommunications provider, licensed as a
9 common carrier by the Federal Communications Commission,
10 which is permanently installed in or affixed to aircraft
11 moving in interstate commerce.

12 (4a) a sale or transfer of tangible personal property
13 as an incident to the rendering of service for owners,
14 lessors, or shippers of tangible personal property which is
15 utilized by interstate carriers for hire for use as rolling
16 stock moving in interstate commerce so long as so used by
17 interstate carriers for hire, and equipment operated by a
18 telecommunications provider, licensed as a common carrier
19 by the Federal Communications Commission, which is
20 permanently installed in or affixed to aircraft moving in
21 interstate commerce.

22 (4a-5) on and after July 1, 2003 and through June 30,
23 2004, a sale or transfer of a motor vehicle of the second
24 division with a gross vehicle weight in excess of 8,000
25 pounds as an incident to the rendering of service if that
26 motor vehicle is subject to the commercial distribution fee

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

17 (5) until January 1, 2013, a sale or transfer of
18 machinery and equipment used primarily in the process of
19 the manufacturing or assembling, either in an existing, an
20 expanded or a new manufacturing facility, of tangible
21 personal property for wholesale or retail sale or lease,
22 whether such sale or lease is made directly by the
23 manufacturer or by some other person, whether the materials
24 used in the process are owned by the manufacturer or some
25 other person, or whether such sale or lease is made apart
26 from or as an incident to the seller's engaging in a

1 service occupation and the applicable tax is a Service Use
2 Tax or Service Occupation Tax, rather than Use Tax or
3 Retailers' Occupation Tax.

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

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

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

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

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

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

7 Exemption (5) also includes machinery and equipment used in
8 the general maintenance or repair of such exempt machinery and
9 equipment or for in-house manufacture of exempt machinery and
10 equipment. For the purposes of exemption (5), each of these
11 terms shall have the following meanings: (1) "manufacturing
12 process" shall mean the production of any article of tangible
13 personal property, whether such article is a finished product
14 or an article for use in the process of manufacturing or
15 assembling a different article of tangible personal property,
16 by procedures commonly regarded as manufacturing, processing,
17 fabricating, or refining which changes some existing material
18 or materials into a material with a different form, use or
19 name. In relation to a recognized integrated business composed
20 of a series of operations which collectively constitute
21 manufacturing, or individually constitute manufacturing
22 operations, the manufacturing process shall be deemed to
23 commence with the first operation or stage of production in the
24 series, and shall not be deemed to end until the completion of
25 the final product in the last operation or stage of production
26 in the series; and further, for purposes of exemption (5),

1 photoprocessing is deemed to be a manufacturing process of
2 tangible personal property for wholesale or retail sale; (2)
3 "assembling process" shall mean the production of any article
4 of tangible personal property, whether such article is a
5 finished product or an article for use in the process of
6 manufacturing or assembling a different article of tangible
7 personal property, by the combination of existing materials in
8 a manner commonly regarded as assembling which results in a
9 material of a different form, use or name; (3) "machinery"
10 shall mean major mechanical machines or major components of
11 such machines contributing to a manufacturing or assembling
12 process; and (4) "equipment" shall include any independent
13 device or tool separate from any machinery but essential to an
14 integrated manufacturing or assembly process; including
15 computers used primarily in a manufacturer's computer assisted
16 design, computer assisted manufacturing (CAD/CAM) system; or
17 any subunit or assembly comprising a component of any machinery
18 or auxiliary, adjunct or attachment parts of machinery, such as
19 tools, dies, jigs, fixtures, patterns and molds; or any parts
20 which require periodic replacement in the course of normal
21 operation; but shall not include hand tools. Equipment includes
22 chemicals or chemicals acting as catalysts but only if the
23 chemicals or chemicals acting as catalysts effect a direct and
24 immediate change upon a product being manufactured or assembled
25 for wholesale or retail sale or lease. The purchaser of such
26 machinery and equipment who has an active resale registration

1 number shall furnish such number to the seller at the time of
2 purchase. The user of such machinery and equipment and tools
3 without an active resale registration number shall prepare a
4 certificate of exemption for each transaction stating facts
5 establishing the exemption for that transaction, which
6 certificate shall be available to the Department for inspection
7 or audit. The Department shall prescribe the form of the
8 certificate.

9 Any informal rulings, opinions or letters issued by the
10 Department in response to an inquiry or request for any opinion
11 from any person regarding the coverage and applicability of
12 exemption (5) to specific devices shall be published,
13 maintained as a public record, and made available for public
14 inspection and copying. If the informal ruling, opinion or
15 letter contains trade secrets or other confidential
16 information, where possible the Department shall delete such
17 information prior to publication. Whenever such informal
18 rulings, opinions, or letters contain any policy of general
19 applicability, the Department shall formulate and adopt such
20 policy as a rule in accordance with the provisions of the
21 Illinois Administrative Procedure Act.

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

26 The purchase, employment and transfer of such tangible

1 personal property as newsprint and ink for the primary purpose
2 of conveying news (with or without other information) is not a
3 purchase, use or sale of service or of tangible personal
4 property within the meaning of this Act.

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

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

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

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

14 1. having or maintaining within this State, directly or
15 by a subsidiary, an office, distribution house, sales
16 house, warehouse or other place of business, or any agent
17 or other representative operating within this State under
18 the authority of the serviceman or its subsidiary,
19 irrespective of whether such place of business or agent or
20 other representative is located here permanently or
21 temporarily, or whether such serviceman or subsidiary is
22 licensed to do business in this State;

23 1.1. beginning July 1, 2011, having a contract with a
24 person located in this State under which the person, for a
25 commission or other consideration based on the sale of
26 service by the serviceman, directly or indirectly refers

1 potential customers to the serviceman by a link on the
2 person's Internet website. The provisions of this
3 paragraph 1.1 shall apply only if the cumulative gross
4 receipts from sales of service by the serviceman to
5 customers who are referred to the serviceman by all persons
6 in this State under such contracts exceed \$10,000 during
7 the preceding 4 quarterly periods ending on the last day of
8 March, June, September, and December;

9 1.2. beginning July 1, 2011, having a contract with a
10 person located in this State under which:

11 A. the serviceman sells the same or substantially
12 similar line of services as the person located in this
13 State and does so using an identical or substantially
14 similar name, trade name, or trademark as the person
15 located in this State; and

16 B. the serviceman provides a commission or other
17 consideration to the person located in this State based
18 upon the sale of services by the serviceman.

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

25 2. soliciting orders for tangible personal property by
26 means of a telecommunication or television shopping system

1 (which utilizes toll free numbers) which is intended by the
2 retailer to be broadcast by cable television or other means
3 of broadcasting, to consumers located in this State;

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

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

16 5. being owned or controlled by the same interests
17 which own or control any retailer engaging in business in
18 the same or similar line of business in this State;

19 6. having a franchisee or licensee operating under its
20 trade name if the franchisee or licensee is required to
21 collect the tax under this Section;

22 7. pursuant to a contract with a cable television
23 operator located in this State, soliciting orders for
24 tangible personal property by means of advertising which is
25 transmitted or distributed over a cable television system
26 in this State; or

1 8. engaging in activities in Illinois, which
2 activities in the state in which the supply business
3 engaging in such activities is located would constitute
4 maintaining a place of business in that state.

5 (Source: P.A. 96-1544, eff. 3-10-11.)

6 (35 ILCS 110/3-5)

7 (Text of Section before amendment by P.A. 97-636)

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

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

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

20 (3) Personal property purchased by a not-for-profit arts or
21 cultural organization that establishes, by proof required by
22 the Department by rule, that it has received an exemption under
23 Section 501(c)(3) of the Internal Revenue Code and that is
24 organized and operated primarily for the presentation or
25 support of arts or cultural programming, activities, or

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

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

14 (5) Until July 1, 2003 and beginning again on September 1,
15 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
16 machinery and equipment, including repair and replacement
17 parts, both new and used, and including that manufactured on
18 special order or purchased for lease, certified by the
19 purchaser to be used primarily for graphic arts production.
20 Equipment includes chemicals or chemicals acting as catalysts
21 but only if the chemicals or chemicals acting as catalysts
22 effect a direct and immediate change upon a graphic arts
23 product.

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

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

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

1 such equipment.

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

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

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

26 (10) Until July 1, 2003, oil field exploration, drilling,

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

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

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

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

23 (14) Horses, or interests in horses, registered with and
24 meeting the requirements of any of the Arabian Horse Club
25 Registry of America, Appaloosa Horse Club, American Quarter
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes. This item (14) is exempt from the provisions
3 of Section 3-75, and the exemption provided for under this item
4 (14) applies for all periods beginning May 30, 1995, but no
5 claim for credit or refund is allowed on or after the effective
6 date of this amendatory Act of the 95th General Assembly for
7 such taxes paid during the period beginning May 30, 2000 and
8 ending on the effective date of this amendatory Act of the 95th
9 General Assembly.

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

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

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

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

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

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

22 (19) Beginning July 1, 1999, game or game birds purchased
23 at a "game breeding and hunting preserve area" as that term is
24 used in the Wildlife Code. This paragraph is exempt from the
25 provisions of Section 3-75.

26 (20) A motor vehicle, as that term is defined in Section

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

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

1 entity purchases the personal property sold at the events from
2 another individual or entity that sold the property for the
3 purpose of resale by the fundraising entity and that profits
4 from the sale to the fundraising entity. This paragraph is
5 exempt from the provisions of Section 3-75.

6 (22) Beginning January 1, 2000 and through December 31,
7 2001, new or used automatic vending machines that prepare and
8 serve hot food and beverages, including coffee, soup, and other
9 items, and replacement parts for these machines. Beginning
10 January 1, 2002 and through June 30, 2003, machines and parts
11 for machines used in commercial, coin-operated amusement and
12 vending business if a use or occupation tax is paid on the
13 gross receipts derived from the use of the commercial,
14 coin-operated amusement and vending machines. This paragraph
15 is exempt from the provisions of Section 3-75.

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

1 in the ID/DD Community Care Act or the Specialized Mental
2 Health Rehabilitation Act.

3 (24) Beginning on the effective date of this amendatory Act
4 of the 92nd General Assembly, computers and communications
5 equipment utilized for any hospital purpose and equipment used
6 in the diagnosis, analysis, or treatment of hospital patients
7 purchased by a lessor who leases the equipment, under a lease
8 of one year or longer executed or in effect at the time the
9 lessor would otherwise be subject to the tax imposed by this
10 Act, to a hospital that has been issued an active tax exemption
11 identification number by the Department under Section 1g of the
12 Retailers' Occupation Tax Act. If the equipment is leased in a
13 manner that does not qualify for this exemption or is used in
14 any other nonexempt manner, the lessor shall be liable for the
15 tax imposed under this Act or the Use Tax Act, as the case may
16 be, based on the fair market value of the property at the time
17 the nonqualifying use occurs. No lessor shall collect or
18 attempt to collect an amount (however designated) that purports
19 to reimburse that lessor for the tax imposed by this Act or the
20 Use Tax Act, as the case may be, if the tax has not been paid by
21 the lessor. If a lessor improperly collects any such amount
22 from the lessee, the lessee shall have a legal right to claim a
23 refund of that amount from the lessor. If, however, that amount
24 is not refunded to the lessee for any reason, the lessor is
25 liable to pay that amount to the Department. This paragraph is
26 exempt from the provisions of Section 3-75.

1 (25) Beginning on the effective date of this amendatory Act
2 of the 92nd General Assembly, personal property purchased by a
3 lessor who leases the property, under a lease of one year or
4 longer executed or in effect at the time the lessor would
5 otherwise be subject to the tax imposed by this Act, to a
6 governmental body that has been issued an active tax exemption
7 identification number by the Department under Section 1g of the
8 Retailers' Occupation Tax Act. If the property is leased in a
9 manner that does not qualify for this exemption or is used in
10 any other nonexempt manner, the lessor shall be liable for the
11 tax imposed under this Act or the Use Tax Act, as the case may
12 be, based on the fair market value of the property at the time
13 the nonqualifying use occurs. No lessor shall collect or
14 attempt to collect an amount (however designated) that purports
15 to reimburse that lessor for the tax imposed by this Act or the
16 Use Tax Act, as the case may be, if the tax has not been paid by
17 the lessor. If a lessor improperly collects any such amount
18 from the lessee, the lessee shall have a legal right to claim a
19 refund of that amount from the lessor. If, however, that amount
20 is not refunded to the lessee for any reason, the lessor is
21 liable to pay that amount to the Department. This paragraph is
22 exempt from the provisions of Section 3-75.

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

1 corporation that holds a valid water supply permit issued under
2 Title IV of the Environmental Protection Act. This paragraph is
3 exempt from the provisions of Section 3-75.

4 (27) Beginning January 1, 2010, materials, parts,
5 equipment, components, and furnishings incorporated into or
6 upon an aircraft as part of the modification, refurbishment,
7 completion, replacement, repair, or maintenance of the
8 aircraft. This exemption includes consumable supplies used in
9 the modification, refurbishment, completion, replacement,
10 repair, and maintenance of aircraft, but excludes any
11 materials, parts, equipment, components, and consumable
12 supplies used in the modification, replacement, repair, and
13 maintenance of aircraft engines or power plants, whether such
14 engines or power plants are installed or uninstalled upon any
15 such aircraft. "Consumable supplies" include, but are not
16 limited to, adhesive, tape, sandpaper, general purpose
17 lubricants, cleaning solution, latex gloves, and protective
18 films. This exemption applies only to those organizations that
19 (i) hold an Air Agency Certificate and are empowered to operate
20 an approved repair station by the Federal Aviation
21 Administration, (ii) have a Class IV Rating, and (iii) conduct
22 operations in accordance with Part 145 of the Federal Aviation
23 Regulations. The exemption does not include aircraft operated
24 by a commercial air carrier providing scheduled passenger air
25 service pursuant to authority issued under Part 121 or Part 129
26 of the Federal Aviation Regulations.

1 (28) Tangible personal property purchased by a
2 public-facilities corporation, as described in Section
3 11-65-10 of the Illinois Municipal Code, for purposes of
4 constructing or furnishing a municipal convention hall, but
5 only if the legal title to the municipal convention hall is
6 transferred to the municipality without any further
7 consideration by or on behalf of the municipality at the time
8 of the completion of the municipal convention hall or upon the
9 retirement or redemption of any bonds or other debt instruments
10 issued by the public-facilities corporation in connection with
11 the development of the municipal convention hall. This
12 exemption includes existing public-facilities corporations as
13 provided in Section 11-65-25 of the Illinois Municipal Code.
14 This paragraph is exempt from the provisions of Section 3-75.

15 (29) Beginning on January 1, 2013, and through December 31,
16 2022, tangible personal property that is incorporated into real
17 estate within a manufacturing or graphic arts facility and used
18 or consumed for research and development or used or consumed in
19 activities including preproduction material handling, quality
20 control, inventory control, storage, staging, and packaging
21 for shipping and transportation purposes.

22 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
23 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
24 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
25 8-16-11; revised 9-12-11.)

1 (Text of Section after amendment by P.A. 97-636)

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

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

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

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

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

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

7 (5) Until July 1, 2003 and beginning again on September 1,
8 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
9 machinery and equipment, including repair and replacement
10 parts, both new and used, and including that manufactured on
11 special order or purchased for lease, certified by the
12 purchaser to be used primarily for graphic arts production.
13 Equipment includes chemicals or chemicals acting as catalysts
14 but only if the chemicals or chemicals acting as catalysts
15 effect a direct and immediate change upon a graphic arts
16 product.

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

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

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

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

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

1 agricultural chemicals. This item (7) is exempt from the
2 provisions of Section 3-75.

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

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

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

1 required to be registered under the Illinois Vehicle Code.

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

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

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

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

1 ending on the effective date of this amendatory Act of the 95th
2 General Assembly.

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

25 (16) Personal property purchased by a lessor who leases the
26 property, under a lease of one year or longer executed or in

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

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

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

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

15 (19) Beginning July 1, 1999, game or game birds purchased
16 at a "game breeding and hunting preserve area" as that term is
17 used in the Wildlife Code. This paragraph is exempt from the
18 provisions of Section 3-75.

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

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

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

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

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

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

22 (24) Beginning on the effective date of this amendatory Act
23 of the 92nd General Assembly, computers and communications
24 equipment utilized for any hospital purpose and equipment used
25 in the diagnosis, analysis, or treatment of hospital patients
26 purchased by a lessor who leases the equipment, under a lease

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

20 (25) Beginning on the effective date of this amendatory Act
21 of the 92nd General Assembly, personal property purchased by a
22 lessor who leases the property, under a lease of one year or
23 longer executed or in effect at the time the lessor would
24 otherwise be subject to the tax imposed by this Act, to a
25 governmental body that has been issued an active tax exemption
26 identification number by the Department under Section 1g of the

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

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

23 (27) Beginning January 1, 2010, materials, parts,
24 equipment, components, and furnishings incorporated into or
25 upon an aircraft as part of the modification, refurbishment,
26 completion, replacement, repair, or maintenance of the

1 aircraft. This exemption includes consumable supplies used in
2 the modification, refurbishment, completion, replacement,
3 repair, and maintenance of aircraft, but excludes any
4 materials, parts, equipment, components, and consumable
5 supplies used in the modification, replacement, repair, and
6 maintenance of aircraft engines or power plants, whether such
7 engines or power plants are installed or uninstalled upon any
8 such aircraft. "Consumable supplies" include, but are not
9 limited to, adhesive, tape, sandpaper, general purpose
10 lubricants, cleaning solution, latex gloves, and protective
11 films. This exemption applies only to those organizations that
12 (i) hold an Air Agency Certificate and are empowered to operate
13 an approved repair station by the Federal Aviation
14 Administration, (ii) have a Class IV Rating, and (iii) conduct
15 operations in accordance with Part 145 of the Federal Aviation
16 Regulations. The exemption does not include aircraft operated
17 by a commercial air carrier providing scheduled passenger air
18 service pursuant to authority issued under Part 121 or Part 129
19 of the Federal Aviation Regulations.

20 (28) Tangible personal property purchased by a
21 public-facilities corporation, as described in Section
22 11-65-10 of the Illinois Municipal Code, for purposes of
23 constructing or furnishing a municipal convention hall, but
24 only if the legal title to the municipal convention hall is
25 transferred to the municipality without any further
26 consideration by or on behalf of the municipality at the time

1 of the completion of the municipal convention hall or upon the
2 retirement or redemption of any bonds or other debt instruments
3 issued by the public-facilities corporation in connection with
4 the development of the municipal convention hall. This
5 exemption includes existing public-facilities corporations as
6 provided in Section 11-65-25 of the Illinois Municipal Code.
7 This paragraph is exempt from the provisions of Section 3-75.

8 (29) Beginning on January 1, 2013, and through December 31,
9 2022, tangible personal property that is incorporated into real
10 estate within a manufacturing or graphic arts facility and used
11 or consumed for research and development or used or consumed in
12 activities including preproduction material handling, quality
13 control, inventory control, storage, staging, and packaging
14 for shipping and transportation purposes.

15 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
16 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
17 7-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431, eff.
18 8-16-11; 97-636, eff. 6-1-12.)

19 (35 ILCS 110/3-70)

20 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
21 of machinery and equipment made on and after January 1, 1995
22 and through June 30, 2003, and on and after September 1, 2004
23 through December 31, 2012 ~~August 30, 2014~~, a purchaser of
24 manufacturing machinery and equipment that qualifies for the
25 exemption provided by Section 2 of this Act earns a credit in

1 an amount equal to a fixed percentage of the tax which would
2 have been incurred under this Act on those purchases. For
3 purchases of graphic arts machinery and equipment made on or
4 after July 1, 1996 through June 30, 2003, and on and after
5 September 1, 2004 through December 31, 2012 ~~August 30, 2014~~, a
6 purchase of graphic arts machinery and equipment that qualifies
7 for the exemption provided by paragraph (5) of Section 3-5 of
8 this Act earns a credit in an amount equal to a fixed
9 percentage of the tax that would have been incurred under this
10 Act on those purchases. The credit earned for the purchase of
11 manufacturing machinery and equipment and graphic arts
12 machinery and equipment shall be referred to as the
13 Manufacturer's Purchase Credit. A graphic arts producer is a
14 person engaged in graphic arts production as defined in Section
15 3-30 of the Service Occupation Tax Act. Beginning July 1, 1996,
16 all references in this Section to manufacturers or
17 manufacturing shall also refer to graphic arts producers or
18 graphic arts production.

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

24 All purchases prior to October 1, 2003 of manufacturing
25 machinery and equipment and graphic arts machinery and
26 equipment that qualify for the exemptions provided by paragraph

1 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
2 qualify for the credit without regard to whether the serviceman
3 elected, or could have elected, under paragraph (7) of Section
4 2 of this Act to exclude the transaction from this Act. If the
5 serviceman's billing to the service customer separately states
6 a selling price for the exempt manufacturing machinery or
7 equipment or the exempt graphic arts machinery and equipment,
8 the credit shall be calculated, as otherwise provided herein,
9 based on that selling price. If the serviceman's billing does
10 not separately state a selling price for the exempt
11 manufacturing machinery and equipment or the exempt graphic
12 arts machinery and equipment, the credit shall be calculated,
13 as otherwise provided herein, based on 50% of the entire
14 billing. If the serviceman contracts to design, develop, and
15 produce special order manufacturing machinery and equipment or
16 special order graphic arts machinery and equipment, and the
17 billing does not separately state a selling price for such
18 special order machinery and equipment, the credit shall be
19 calculated, as otherwise provided herein, based on 50% of the
20 entire billing. The provisions of this paragraph are effective
21 for purchases made on or after January 1, 1995.

22 The percentage shall be as follows:

23 (1) 15% for purchases made on or before June 30, 1995.

24 (2) 25% for purchases made after June 30, 1995, and on
25 or before June 30, 1996.

26 (3) 40% for purchases made after June 30, 1996, and on

1 or before June 30, 1997.

2 (4) 50% for purchases made on or after July 1, 1997.

3 (a) Manufacturer's Purchase Credit earned prior to July 1,
4 2003. This subsection (a) applies to Manufacturer's Purchase
5 Credit earned prior to July 1, 2003. A purchaser of production
6 related tangible personal property desiring to use the
7 Manufacturer's Purchase Credit shall certify to the seller
8 prior to October 1, 2003 that the purchaser is satisfying all
9 or part of the liability under the Use Tax Act or the Service
10 Use Tax Act that is due on the purchase of the production
11 related tangible personal property by use of a Manufacturer's
12 Purchase Credit. The Manufacturer's Purchase Credit
13 certification must be dated and shall include the name and
14 address of the purchaser, the purchaser's registration number,
15 if registered, the credit being applied, and a statement that
16 the State Use Tax or Service Use Tax liability is being
17 satisfied with the manufacturer's or graphic arts producer's
18 accumulated purchase credit. Certification may be incorporated
19 into the manufacturer's or graphic arts producer's purchase
20 order. Manufacturer's Purchase Credit certification provided
21 by the manufacturer or graphic arts producer prior to October
22 1, 2003 may be used to satisfy the retailer's or serviceman's
23 liability under the Retailers' Occupation Tax Act or Service
24 Occupation Tax Act for the credit claimed, not to exceed 6.25%
25 of the receipts subject to tax from a qualifying purchase, but
26 only if the retailer or serviceman reports the Manufacturer's

1 Purchase Credit claimed as required by the Department. A
2 Manufacturer's Purchase Credit reported on any original or
3 amended return filed under this Act after October 20, 2003
4 shall be disallowed. The Manufacturer's Purchase Credit earned
5 by purchase of exempt manufacturing machinery and equipment or
6 graphic arts machinery and equipment is a non-transferable
7 credit. A manufacturer or graphic arts producer that enters
8 into a contract involving the installation of tangible personal
9 property into real estate within a manufacturing or graphic
10 arts production facility, prior to October 1, 2003, may
11 authorize a construction contractor to utilize credit
12 accumulated by the manufacturer or graphic arts producer to
13 purchase the tangible personal property. A manufacturer or
14 graphic arts producer intending to use accumulated credit to
15 purchase such tangible personal property shall execute a
16 written contract authorizing the contractor to utilize a
17 specified dollar amount of credit. The contractor shall
18 furnish, prior to October 1, 2003, the supplier with the
19 manufacturer's or graphic arts producer's name, registration
20 or resale number, and a statement that a specific amount of the
21 Use Tax or Service Use Tax liability, not to exceed 6.25% of
22 the selling price, is being satisfied with the credit. The
23 manufacturer or graphic arts producer shall remain liable to
24 timely report all information required by the annual Report of
25 Manufacturer's Purchase Credit Used for credit utilized by a
26 construction contractor.

1 No Manufacturer's Purchase Credit earned prior to July 1,
2 2003 may be used after October 1, 2003. The Manufacturer's
3 Purchase Credit may be used to satisfy liability under the Use
4 Tax Act or the Service Use Tax Act due on the purchase of
5 production related tangible personal property (including
6 purchases by a manufacturer, by a graphic arts producer, or a
7 lessor who rents or leases the use of the property to a
8 manufacturer or graphic arts producer) that does not otherwise
9 qualify for the manufacturing machinery and equipment
10 exemption or the graphic arts machinery and equipment
11 exemption. "Production related tangible personal property"
12 means (i) all tangible personal property used or consumed by
13 the purchaser in a manufacturing facility in which a
14 manufacturing process described in Section 2-45 of the
15 Retailers' Occupation Tax Act takes place, including tangible
16 personal property purchased for incorporation into real estate
17 within a manufacturing facility and including, but not limited
18 to, tangible personal property used or consumed in activities
19 such as pre-production material handling, receiving, quality
20 control, inventory control, storage, staging, and packaging
21 for shipping and transportation purposes; (ii) all tangible
22 personal property used or consumed by the purchaser in a
23 graphic arts facility in which graphic arts production as
24 described in Section 2-30 of the Retailers' Occupation Tax Act
25 takes place, including tangible personal property purchased
26 for incorporation into real estate within a graphic arts

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

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

19 A purchaser earning Manufacturer's Purchase Credit shall
20 sign and file an annual Report of Manufacturer's Purchase
21 Credit Earned for each calendar year no later than the last day
22 of the sixth month following the calendar year in which a
23 Manufacturer's Purchase Credit is earned. A Report of
24 Manufacturer's Purchase Credit Earned shall be filed on forms
25 as prescribed or approved by the Department and shall state,
26 for each month of the calendar year: (i) the total purchase

1 price of all purchases of exempt manufacturing or graphic arts
2 machinery on which the credit was earned; (ii) the total State
3 Use Tax or Service Use Tax which would have been due on those
4 items; (iii) the percentage used to calculate the amount of
5 credit earned; (iv) the amount of credit earned; and (v) such
6 other information as the Department may reasonably require. A
7 purchaser earning Manufacturer's Purchase Credit shall
8 maintain records which identify, as to each purchase of
9 manufacturing or graphic arts machinery and equipment on which
10 the purchaser earned Manufacturer's Purchase Credit, the
11 vendor (including, if applicable, either the vendor's
12 registration number or Federal Employer Identification
13 Number), the purchase price, and the amount of Manufacturer's
14 Purchase Credit earned on each purchase.

15 A purchaser using Manufacturer's Purchase Credit shall
16 sign and file an annual Report of Manufacturer's Purchase
17 Credit Used for each calendar year no later than the last day
18 of the sixth month following the calendar year in which a
19 Manufacturer's Purchase Credit is used. A Report of
20 Manufacturer's Purchase Credit Used shall be filed on forms as
21 prescribed or approved by the Department and shall state, for
22 each month of the calendar year: (i) the total purchase price
23 of production related tangible personal property purchased
24 from Illinois suppliers; (ii) the total purchase price of
25 production related tangible personal property purchased from
26 out-of-state suppliers; (iii) the total amount of credit used

1 during such month; and (iv) such other information as the
2 Department may reasonably require. A purchaser using
3 Manufacturer's Purchase Credit shall maintain records that
4 identify, as to each purchase of production related tangible
5 personal property on which the purchaser used Manufacturer's
6 Purchase Credit, the vendor (including, if applicable, either
7 the vendor's registration number or Federal Employer
8 Identification Number), the purchase price, and the amount of
9 Manufacturer's Purchase Credit used on each purchase.

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

1 portion thereof has been extended. No Manufacturer's Purchase
2 Credit report filed with the Department for periods prior to
3 January 1, 1995 shall be approved. Manufacturer's Purchase
4 Credit claimed on an amended report may be used, prior to
5 October 1, 2003, to satisfy tax liability under the Use Tax Act
6 or the Service Use Tax Act (i) on qualifying purchases of
7 production related tangible personal property made after the
8 date the amended report is filed or (ii) assessed by the
9 Department on qualifying purchases of production related
10 tangible personal property made in the case of manufacturers on
11 or after January 1, 1995, or in the case of graphic arts
12 producers on or after July 1, 1996.

13 If the purchaser is not the manufacturer or a graphic arts
14 producer, but rents or leases the use of the property to a
15 manufacturer or a graphic arts producer, the purchaser may
16 earn, report, and use Manufacturer's Purchase Credit in the
17 same manner as a manufacturer or graphic arts producer.

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

1 liability imposed under this Act, including any audit
2 liability.

3 (b) Manufacturer's Purchase Credit earned on and after
4 September 1, 2004. This subsection (b) applies to
5 Manufacturer's Purchase Credit earned on or after September 1,
6 2004. Manufacturer's Purchase Credit earned on or after
7 September 1, 2004 may only be used to satisfy the Use Tax or
8 Service Use Tax liability incurred on production related
9 tangible personal property purchased on or after September 1,
10 2004. A purchaser of production related tangible personal
11 property desiring to use the Manufacturer's Purchase Credit
12 shall certify to the seller that the purchaser is satisfying
13 all or part of the liability under the Use Tax Act or the
14 Service Use Tax Act that is due on the purchase of the
15 production related tangible personal property by use of a
16 Manufacturer's Purchase Credit. The Manufacturer's Purchase
17 Credit certification must be dated and shall include the name
18 and address of the purchaser, the purchaser's registration
19 number, if registered, the credit being applied, and a
20 statement that the State Use Tax or Service Use Tax liability
21 is being satisfied with the manufacturer's or graphic arts
22 producer's accumulated purchase credit. Certification may be
23 incorporated into the manufacturer's or graphic arts
24 producer's purchase order. Manufacturer's Purchase Credit
25 certification provided by the manufacturer or graphic arts
26 producer may be used to satisfy the retailer's or serviceman's

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

1 credit utilized by a construction contractor.

2 The Manufacturer's Purchase Credit may be used to satisfy
3 liability under the Use Tax Act or the Service Use Tax Act due
4 on the purchase, made on or after September 1, 2004, of
5 production related tangible personal property (including
6 purchases by a manufacturer, by a graphic arts producer, or a
7 lessor who rents or leases the use of the property to a
8 manufacturer or graphic arts producer) that does not otherwise
9 qualify for the manufacturing machinery and equipment
10 exemption or the graphic arts machinery and equipment
11 exemption. "Production related tangible personal property"
12 means (i) all tangible personal property used or consumed by
13 the purchaser in a manufacturing facility in which a
14 manufacturing process described in Section 2-45 of the
15 Retailers' Occupation Tax Act takes place, including tangible
16 personal property purchased for incorporation into real estate
17 within a manufacturing facility and including, but not limited
18 to, tangible personal property used or consumed in activities
19 such as pre-production material handling, receiving, quality
20 control, inventory control, storage, staging, and packaging
21 for shipping and transportation purposes; (ii) all tangible
22 personal property used or consumed by the purchaser in a
23 graphic arts facility in which graphic arts production as
24 described in Section 2-30 of the Retailers' Occupation Tax Act
25 takes place, including tangible personal property purchased
26 for incorporation into real estate within a graphic arts

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

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

17 A purchaser earning Manufacturer's Purchase Credit shall
18 sign and file an annual Report of Manufacturer's Purchase
19 Credit Earned for each calendar year no later than the last day
20 of the sixth month following the calendar year in which a
21 Manufacturer's Purchase Credit is earned. A Report of
22 Manufacturer's Purchase Credit Earned shall be filed on forms
23 as prescribed or approved by the Department and shall state,
24 for each month of the calendar year: (i) the total purchase
25 price of all purchases of exempt manufacturing or graphic arts
26 machinery on which the credit was earned; (ii) the total State

1 Use Tax or Service Use Tax which would have been due on those
2 items; (iii) the percentage used to calculate the amount of
3 credit earned; (iv) the amount of credit earned; and (v) such
4 other information as the Department may reasonably require. A
5 purchaser earning Manufacturer's Purchase Credit shall
6 maintain records which identify, as to each purchase of
7 manufacturing or graphic arts machinery and equipment on which
8 the purchaser earned Manufacturer's Purchase Credit, the
9 vendor (including, if applicable, either the vendor's
10 registration number or Federal Employer Identification
11 Number), the purchase price, and the amount of Manufacturer's
12 Purchase Credit earned on each purchase.

13 A purchaser using Manufacturer's Purchase Credit shall
14 sign and file an annual Report of Manufacturer's Purchase
15 Credit Used for each calendar year no later than the last day
16 of the sixth month following the calendar year in which a
17 Manufacturer's Purchase Credit is used. A Report of
18 Manufacturer's Purchase Credit Used shall be filed on forms as
19 prescribed or approved by the Department and shall state, for
20 each month of the calendar year: (i) the total purchase price
21 of production related tangible personal property purchased
22 from Illinois suppliers; (ii) the total purchase price of
23 production related tangible personal property purchased from
24 out-of-state suppliers; (iii) the total amount of credit used
25 during such month; and (iv) such other information as the
26 Department may reasonably require. A purchaser using

1 Manufacturer's Purchase Credit shall maintain records that
2 identify, as to each purchase of production related tangible
3 personal property on which the purchaser used Manufacturer's
4 Purchase Credit, the vendor (including, if applicable, either
5 the vendor's registration number or Federal Employer
6 Identification Number), the purchase price, and the amount of
7 Manufacturer's Purchase Credit used on each purchase.

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

1 on qualifying purchases of production related tangible
2 personal property made after the date the amended report is
3 filed or (ii) assessed by the Department on qualifying
4 production related tangible personal property purchased on or
5 after September 1, 2004.

6 If the purchaser is not the manufacturer or a graphic arts
7 producer, but rents or leases the use of the property to a
8 manufacturer or a graphic arts producer, the purchaser may
9 earn, report, and use Manufacturer's Purchase Credit in the
10 same manner as a manufacturer or graphic arts producer. A
11 purchaser shall not be entitled to any Manufacturer's Purchase
12 Credit for a purchase that is required to be reported and is
13 not timely reported as provided in this Section. A purchaser
14 remains liable for (i) any tax that was satisfied by use of a
15 Manufacturer's Purchase Credit, as of the date of purchase, if
16 that use is not timely reported as required in this Section and
17 (ii) for any applicable penalties and interest for failing to
18 pay the tax when due.

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

20 Section 15. The Service Occupation Tax Act is amended by
21 changing Sections 2 and 3-5 as follows:

22 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

23 Sec. 2. "Transfer" means any transfer of the title to
24 property or of the ownership of property whether or not the

1 transferor retains title as security for the payment of amounts
2 due him from the transferee.

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

15 "Department" means the Department of Revenue.

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

21 "Sale of Service" means any transaction except:

22 (a) A retail sale of tangible personal property taxable
23 under the Retailers' Occupation Tax Act or under the Use Tax
24 Act.

25 (b) A sale of tangible personal property for the purpose of
26 resale made in compliance with Section 2c of the Retailers'

1 Occupation Tax Act.

2 (c) Except as hereinafter provided, a sale or transfer of
3 tangible personal property as an incident to the rendering of
4 service for or by any governmental body or for or by any
5 corporation, society, association, foundation or institution
6 organized and operated exclusively for charitable, religious
7 or educational purposes or any not-for-profit corporation,
8 society, association, foundation, institution or organization
9 which has no compensated officers or employees and which is
10 organized and operated primarily for the recreation of persons
11 55 years of age or older. A limited liability company may
12 qualify for the exemption under this paragraph only if the
13 limited liability company is organized and operated
14 exclusively for educational purposes.

15 (d) A sale or transfer of tangible personal property as an
16 incident to the rendering of service for interstate carriers
17 for hire for use as rolling stock moving in interstate commerce
18 or lessors under leases of one year or longer, executed or in
19 effect at the time of purchase, to interstate carriers for hire
20 for use as rolling stock moving in interstate commerce, and
21 equipment operated by a telecommunications provider, licensed
22 as a common carrier by the Federal Communications Commission,
23 which is permanently installed in or affixed to aircraft moving
24 in interstate commerce.

25 (d-1) A sale or transfer of tangible personal property as
26 an incident to the rendering of service for owners, lessors or

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

8 (d-1.1) On and after July 1, 2003 and through June 30,
9 2004, a sale or transfer of a motor vehicle of the second
10 division with a gross vehicle weight in excess of 8,000 pounds
11 as an incident to the rendering of service if that motor
12 vehicle is subject to the commercial distribution fee imposed
13 under Section 3-815.1 of the Illinois Vehicle Code. Beginning
14 on July 1, 2004 and through June 30, 2005, the use in this
15 State of motor vehicles of the second division: (i) with a
16 gross vehicle weight rating in excess of 8,000 pounds; (ii)
17 that are subject to the commercial distribution fee imposed
18 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)
19 that are primarily used for commercial purposes. Through June
20 30, 2005, this exemption applies to repair and replacement
21 parts added after the initial purchase of such a motor vehicle
22 if that motor vehicle is used in a manner that would qualify
23 for the rolling stock exemption otherwise provided for in this
24 Act. For purposes of this paragraph, "used for commercial
25 purposes" means the transportation of persons or property in
26 furtherance of any commercial or industrial enterprise whether

1 for-hire or not.

2 (d-2) The repairing, reconditioning or remodeling, for a
3 common carrier by rail, of tangible personal property which
4 belongs to such carrier for hire, and as to which such carrier
5 receives the physical possession of the repaired,
6 reconditioned or remodeled item of tangible personal property
7 in Illinois, and which such carrier transports, or shares with
8 another common carrier in the transportation of such property,
9 out of Illinois on a standard uniform bill of lading showing
10 the person who repaired, reconditioned or remodeled the
11 property as the shipper or consignor of such property to a
12 destination outside Illinois, for use outside Illinois.

13 (d-3) A sale or transfer of tangible personal property
14 which is produced by the seller thereof on special order in
15 such a way as to have made the applicable tax the Service
16 Occupation Tax or the Service Use Tax, rather than the
17 Retailers' Occupation Tax or the Use Tax, for an interstate
18 carrier by rail which receives the physical possession of such
19 property in Illinois, and which transports such property, or
20 shares with another common carrier in the transportation of
21 such property, out of Illinois on a standard uniform bill of
22 lading showing the seller of the property as the shipper or
23 consignor of such property to a destination outside Illinois,
24 for use outside Illinois.

25 (d-4) Until January 1, 1997, a sale, by a registered
26 serviceman paying tax under this Act to the Department, of

1 special order printed materials delivered outside Illinois and
2 which are not returned to this State, if delivery is made by
3 the seller or agent of the seller, including an agent who
4 causes the product to be delivered outside Illinois by a common
5 carrier or the U.S. postal service.

6 (e) Until January 1, 2013, a ~~A~~ sale or transfer of
7 machinery and equipment used primarily in the process of the
8 manufacturing or assembling, either in an existing, an expanded
9 or a new manufacturing facility, of tangible personal property
10 for wholesale or retail sale or lease, whether such sale or
11 lease is made directly by the manufacturer or by some other
12 person, whether the materials used in the process are owned by
13 the manufacturer or some other person, or whether such sale or
14 lease is made apart from or as an incident to the seller's
15 engaging in a service occupation and the applicable tax is a
16 Service Occupation Tax or Service Use Tax, rather than
17 Retailers' Occupation Tax or Use Tax.

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

25 (g) At the election of any serviceman not required to be
26 otherwise registered as a retailer under Section 2a of the

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

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

21 Exemption (e) also includes machinery and equipment used in
22 the general maintenance or repair of such exempt machinery and
23 equipment or for in-house manufacture of exempt machinery and
24 equipment. For the purposes of exemption (e), each of these
25 terms shall have the following meanings: (1) "manufacturing
26 process" shall mean the production of any article of tangible

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

1 device or tool separate from any machinery but essential to an
2 integrated manufacturing or assembly process; including
3 computers used primarily in a manufacturer's computer assisted
4 design, computer assisted manufacturing (CAD/CAM) system; or
5 any subunit or assembly comprising a component of any machinery
6 or auxiliary, adjunct or attachment parts of machinery, such as
7 tools, dies, jigs, fixtures, patterns and molds; or any parts
8 which require periodic replacement in the course of normal
9 operation; but shall not include hand tools. Equipment includes
10 chemicals or chemicals acting as catalysts but only if the
11 chemicals or chemicals acting as catalysts effect a direct and
12 immediate change upon a product being manufactured or assembled
13 for wholesale or retail sale or lease. The purchaser of such
14 machinery and equipment who has an active resale registration
15 number shall furnish such number to the seller at the time of
16 purchase. The purchaser of such machinery and equipment and
17 tools without an active resale registration number shall
18 furnish to the seller a certificate of exemption for each
19 transaction stating facts establishing the exemption for that
20 transaction, which certificate shall be available to the
21 Department for inspection or audit.

22 Except as provided in Section 2d of this Act, the rolling
23 stock exemption applies to rolling stock used by an interstate
24 carrier for hire, even just between points in Illinois, if such
25 rolling stock transports, for hire, persons whose journeys or
26 property whose shipments originate or terminate outside

1 Illinois.

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

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

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

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

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

26 (Source: P.A. 92-484, eff. 8-23-01; 93-23, eff. 6-20-03; 93-24,

1 eff. 6-20-03; 93-1033, eff. 9-3-04.)

2 (35 ILCS 115/3-5)

3 (Text of Section before amendment by P.A. 97-636)

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

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

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

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

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

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

10 (5) Until July 1, 2003 and beginning again on September 1,
11 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
12 machinery and equipment, including repair and replacement
13 parts, both new and used, and including that manufactured on
14 special order or purchased for lease, certified by the
15 purchaser to be used primarily for graphic arts production.
16 Equipment includes chemicals or chemicals acting as catalysts
17 but only if the chemicals or chemicals acting as catalysts
18 effect a direct and immediate change upon a graphic arts
19 product.

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

23 (7) Farm machinery and equipment, both new and used,
24 including that manufactured on special order, certified by the
25 purchaser to be used primarily for production agriculture or
26 State or federal agricultural programs, including individual

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

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

24 Farm machinery and equipment also includes computers,
25 sensors, software, and related equipment used primarily in the
26 computer-assisted operation of production agriculture

1 facilities, equipment, and activities such as, but not limited
2 to, the collection, monitoring, and correlation of animal and
3 crop data for the purpose of formulating animal diets and
4 agricultural chemicals. This item (7) is exempt from the
5 provisions of Section 3-55.

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

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

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

1 drilling, and production equipment, and (vi) machinery and
2 equipment purchased for lease; but excluding motor vehicles
3 required to be registered under the Illinois Vehicle Code.

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

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

15 (13) Beginning January 1, 1992 and through June 30, 2011,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages, soft
18 drinks and food that has been prepared for immediate
19 consumption) and prescription and non-prescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article V of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act, or in a licensed facility as defined
26 in the ID/DD Community Care Act or the Specialized Mental

1 Health Rehabilitation Act.

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

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

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

24 (17) Personal property sold to a lessor who leases the
25 property, under a lease of one year or longer executed or in
26 effect at the time of the purchase, to a governmental body that

1 has been issued an active tax exemption identification number
2 by the Department under Section 1g of the Retailers' Occupation
3 Tax Act.

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

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

26 (20) Beginning July 1, 1999, game or game birds sold at a

1 "game breeding and hunting preserve area" as that term is used
2 in the Wildlife Code. This paragraph is exempt from the
3 provisions of Section 3-55.

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

22 (22) Beginning January 1, 2000, personal property,
23 including food, purchased through fundraising events for the
24 benefit of a public or private elementary or secondary school,
25 a group of those schools, or one or more school districts if
26 the events are sponsored by an entity recognized by the school

1 district that consists primarily of volunteers and includes
2 parents and teachers of the school children. This paragraph
3 does not apply to fundraising events (i) for the benefit of
4 private home instruction or (ii) for which the fundraising
5 entity purchases the personal property sold at the events from
6 another individual or entity that sold the property for the
7 purpose of resale by the fundraising entity and that profits
8 from the sale to the fundraising entity. This paragraph is
9 exempt from the provisions of Section 3-55.

10 (23) Beginning January 1, 2000 and through December 31,
11 2001, new or used automatic vending machines that prepare and
12 serve hot food and beverages, including coffee, soup, and other
13 items, and replacement parts for these machines. Beginning
14 January 1, 2002 and through June 30, 2003, machines and parts
15 for machines used in commercial, coin-operated amusement and
16 vending business if a use or occupation tax is paid on the
17 gross receipts derived from the use of the commercial,
18 coin-operated amusement and vending machines. This paragraph
19 is exempt from the provisions of Section 3-55.

20 (24) Beginning on the effective date of this amendatory Act
21 of the 92nd General Assembly, computers and communications
22 equipment utilized for any hospital purpose and equipment used
23 in the diagnosis, analysis, or treatment of hospital patients
24 sold to a lessor who leases the equipment, under a lease of one
25 year or longer executed or in effect at the time of the
26 purchase, to a hospital that has been issued an active tax

1 exemption identification number by the Department under
2 Section 1g of the Retailers' Occupation Tax Act. This paragraph
3 is exempt from the provisions of Section 3-55.

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

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

1 paragraph (26). The permit issued under this paragraph (26)
2 shall authorize the holder, to the extent and in the manner
3 specified in the rules adopted under this Act, to purchase
4 tangible personal property from a retailer exempt from the
5 taxes imposed by this Act. Taxpayers shall maintain all
6 necessary books and records to substantiate the use and
7 consumption of all such tangible personal property outside of
8 the State of Illinois.

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

16 (28) Tangible personal property sold to a
17 public-facilities corporation, as described in Section
18 11-65-10 of the Illinois Municipal Code, for purposes of
19 constructing or furnishing a municipal convention hall, but
20 only if the legal title to the municipal convention hall is
21 transferred to the municipality without any further
22 consideration by or on behalf of the municipality at the time
23 of the completion of the municipal convention hall or upon the
24 retirement or redemption of any bonds or other debt instruments
25 issued by the public-facilities corporation in connection with
26 the development of the municipal convention hall. This

1 exemption includes existing public-facilities corporations as
2 provided in Section 11-65-25 of the Illinois Municipal Code.
3 This paragraph is exempt from the provisions of Section 3-55.

4 (29) Beginning January 1, 2010, materials, parts,
5 equipment, components, and furnishings incorporated into or
6 upon an aircraft as part of the modification, refurbishment,
7 completion, replacement, repair, or maintenance of the
8 aircraft. This exemption includes consumable supplies used in
9 the modification, refurbishment, completion, replacement,
10 repair, and maintenance of aircraft, but excludes any
11 materials, parts, equipment, components, and consumable
12 supplies used in the modification, replacement, repair, and
13 maintenance of aircraft engines or power plants, whether such
14 engines or power plants are installed or uninstalled upon any
15 such aircraft. "Consumable supplies" include, but are not
16 limited to, adhesive, tape, sandpaper, general purpose
17 lubricants, cleaning solution, latex gloves, and protective
18 films. This exemption applies only to those organizations that
19 (i) hold an Air Agency Certificate and are empowered to operate
20 an approved repair station by the Federal Aviation
21 Administration, (ii) have a Class IV Rating, and (iii) conduct
22 operations in accordance with Part 145 of the Federal Aviation
23 Regulations. The exemption does not include aircraft operated
24 by a commercial air carrier providing scheduled passenger air
25 service pursuant to authority issued under Part 121 or Part 129
26 of the Federal Aviation Regulations.

1 (30) Beginning on January 1, 2013, and through December 31,
2 2022, tangible personal property that is incorporated into real
3 estate within a manufacturing or graphic arts facility and used
4 or consumed for research and development or used or consumed in
5 activities including preproduction material handling, quality
6 control, inventory control, storage, staging, and packaging
7 for shipping and transportation purposes.

8 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
9 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
10 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
11 1-1-12; 97-431, eff. 8-16-11; revised 9-12-11.)

12 (Text of Section after amendment by P.A. 97-636)

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

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

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

25 (3) Personal property purchased by any not-for-profit arts

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

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

19 (5) Until July 1, 2003 and beginning again on September 1,
20 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
21 machinery and equipment, including repair and replacement
22 parts, both new and used, and including that manufactured on
23 special order or purchased for lease, certified by the
24 purchaser to be used primarily for graphic arts production.
25 Equipment includes chemicals or chemicals acting as catalysts
26 but only if the chemicals or chemicals acting as catalysts

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

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

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

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

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

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

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

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

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

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

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

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

24 (13) Beginning January 1, 1992 and through June 30, 2016,
25 food for human consumption that is to be consumed off the
26 premises where it is sold (other than alcoholic beverages, soft

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

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

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

25 (16) Computers and communications equipment utilized for
26 any hospital purpose and equipment used in the diagnosis,

1 analysis, or treatment of hospital patients sold to a lessor
2 who leases the equipment, under a lease of one year or longer
3 executed or in effect at the time of the purchase, to a
4 hospital that has been issued an active tax exemption
5 identification number by the Department under Section 1g of the
6 Retailers' Occupation Tax Act.

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

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

23 (19) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is used in the
26 performance of infrastructure repairs in this State, including

1 but not limited to municipal roads and streets, access roads,
2 bridges, sidewalks, waste disposal systems, water and sewer
3 line extensions, water distribution and purification
4 facilities, storm water drainage and retention facilities, and
5 sewage treatment facilities, resulting from a State or
6 federally declared disaster in Illinois or bordering Illinois
7 when such repairs are initiated on facilities located in the
8 declared disaster area within 6 months after the disaster.

9 (20) Beginning July 1, 1999, game or game birds sold at a
10 "game breeding and hunting preserve area" as that term is used
11 in the Wildlife Code. This paragraph is exempt from the
12 provisions of Section 3-55.

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

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

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

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

1 coin-operated amusement and vending machines. This paragraph
2 is exempt from the provisions of Section 3-55.

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

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

21 (26) Beginning on January 1, 2002 and through June 30,
22 2016, tangible personal property purchased from an Illinois
23 retailer by a taxpayer engaged in centralized purchasing
24 activities in Illinois who will, upon receipt of the property
25 in Illinois, temporarily store the property in Illinois (i) for
26 the purpose of subsequently transporting it outside this State

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

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

25 (28) Tangible personal property sold to a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 3-55.

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

1 films. This exemption applies only to those organizations that
2 (i) hold an Air Agency Certificate and are empowered to operate
3 an approved repair station by the Federal Aviation
4 Administration, (ii) have a Class IV Rating, and (iii) conduct
5 operations in accordance with Part 145 of the Federal Aviation
6 Regulations. The exemption does not include aircraft operated
7 by a commercial air carrier providing scheduled passenger air
8 service pursuant to authority issued under Part 121 or Part 129
9 of the Federal Aviation Regulations.

10 (30) Beginning on January 1, 2013, and through December 31,
11 2022, tangible personal property that is incorporated into real
12 estate within a manufacturing or graphic arts facility and used
13 or consumed for research and development or used or consumed in
14 activities including preproduction material handling, quality
15 control, inventory control, storage, staging, and packaging
16 for shipping and transportation purposes.

17 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
18 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
19 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
20 1-1-12; 97-431, eff. 8-16-11; 97-636, eff. 6-1-12.)

21 Section 20. The Retailers' Occupation Tax Act is amended by
22 changing Section 2-5 as follows:

23 (35 ILCS 120/2-5)

24 (Text of Section before amendment by P.A. 97-636)

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

4 (1) Farm chemicals.

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

24 Farm machinery and equipment shall include precision
25 farming equipment that is installed or purchased to be
26 installed on farm machinery and equipment including, but not

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

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

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

20 (4) Until July 1, 2003 and beginning again September 1,
21 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
22 machinery and equipment, including repair and replacement
23 parts, both new and used, and including that manufactured on
24 special order or purchased for lease, certified by the
25 purchaser to be used primarily for graphic arts production.
26 Equipment includes chemicals or chemicals acting as catalysts

1 but only if the chemicals or chemicals acting as catalysts
2 effect a direct and immediate change upon a graphic arts
3 product.

4 (5) A motor vehicle of the first division, a motor vehicle
5 of the second division that is a self contained motor vehicle
6 designed or permanently converted to provide living quarters
7 for recreational, camping, or travel use, with direct walk
8 through access to the living quarters from the driver's seat,
9 or a motor vehicle of the second division that is of the van
10 configuration designed for the transportation of not less than
11 7 nor more than 16 passengers, as defined in Section 1-146 of
12 the Illinois Vehicle Code, that is used for automobile renting,
13 as defined in the Automobile Renting Occupation and Use Tax
14 Act. This paragraph is exempt from the provisions of Section
15 2-70.

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

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

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

25 (9) Personal property sold to a not-for-profit arts or
26 cultural organization that establishes, by proof required by

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

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

21 (11) Personal property sold to a governmental body, to a
22 corporation, society, association, foundation, or institution
23 organized and operated exclusively for charitable, religious,
24 or educational purposes, or to a not-for-profit corporation,
25 society, association, foundation, institution, or organization
26 that has no compensated officers or employees and that is

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

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

18 (12-5) On and after July 1, 2003 and through June 30, 2004,
19 motor vehicles of the second division with a gross vehicle
20 weight in excess of 8,000 pounds that are subject to the
21 commercial distribution fee imposed under Section 3-815.1 of
22 the Illinois Vehicle Code. Beginning on July 1, 2004 and
23 through June 30, 2005, the use in this State of motor vehicles
24 of the second division: (i) with a gross vehicle weight rating
25 in excess of 8,000 pounds; (ii) that are subject to the
26 commercial distribution fee imposed under Section 3-815.1 of

1 the Illinois Vehicle Code; and (iii) that are primarily used
2 for commercial purposes. Through June 30, 2005, this exemption
3 applies to repair and replacement parts added after the initial
4 purchase of such a motor vehicle if that motor vehicle is used
5 in a manner that would qualify for the rolling stock exemption
6 otherwise provided for in this Act. For purposes of this
7 paragraph, "used for commercial purposes" means the
8 transportation of persons or property in furtherance of any
9 commercial or industrial enterprise whether for-hire or not.

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

17 (14) Until January 1, 2013, machinery ~~Machinery~~ and
18 equipment that will be used by the purchaser, or a lessee of
19 the purchaser, primarily in the process of manufacturing or
20 assembling tangible personal property for wholesale or retail
21 sale or lease, whether the sale or lease is made directly by
22 the manufacturer or by some other person, whether the materials
23 used in the process are owned by the manufacturer or some other
24 person, or whether the sale or lease is made apart from or as
25 an incident to the seller's engaging in the service occupation
26 of producing machines, tools, dies, jigs, patterns, gauges, or

1 other similar items of no commercial value on special order for
2 a particular purchaser.

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

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

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

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

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

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

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

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

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

25 (23) A transaction in which the purchase order is received
26 by a florist who is located outside Illinois, but who has a

1 florist located in Illinois deliver the property to the
2 purchaser or the purchaser's donee in Illinois.

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

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

21 (25-5) The exemption under item (25) does not apply if the
22 state in which the motor vehicle will be titled does not allow
23 a reciprocal exemption for a motor vehicle sold and delivered
24 in that state to an Illinois resident but titled in Illinois.
25 The tax collected under this Act on the sale of a motor vehicle
26 in this State to a resident of another state that does not

1 allow a reciprocal exemption shall be imposed at a rate equal
2 to the state's rate of tax on taxable property in the state in
3 which the purchaser is a resident, except that the tax shall
4 not exceed the tax that would otherwise be imposed under this
5 Act. At the time of the sale, the purchaser shall execute a
6 statement, signed under penalty of perjury, of his or her
7 intent to title the vehicle in the state in which the purchaser
8 is a resident within 30 days after the sale and of the fact of
9 the payment to the State of Illinois of tax in an amount
10 equivalent to the state's rate of tax on taxable property in
11 his or her state of residence and shall submit the statement to
12 the appropriate tax collection agency in his or her state of
13 residence. In addition, the retailer must retain a signed copy
14 of the statement in his or her records. Nothing in this item
15 shall be construed to require the removal of the vehicle from
16 this state following the filing of an intent to title the
17 vehicle in the purchaser's state of residence if the purchaser
18 titles the vehicle in his or her state of residence within 30
19 days after the date of sale. The tax collected under this Act
20 in accordance with this item (25-5) shall be proportionately
21 distributed as if the tax were collected at the 6.25% general
22 rate imposed under this Act.

23 (25-7) Beginning on July 1, 2007, no tax is imposed under
24 this Act on the sale of an aircraft, as defined in Section 3 of
25 the Illinois Aeronautics Act, if all of the following
26 conditions are met:

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

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

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

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

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

24 "Registered in this State" means an aircraft registered
25 with the Department of Transportation, Aeronautics Division,
26 or titled or registered with the Federal Aviation

1 Administration to an address located in this State.

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

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

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

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

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

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

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

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

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

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

23 (34) Beginning January 1, 2000, personal property,
24 including food, purchased through fundraising events for the
25 benefit of a public or private elementary or secondary school,
26 a group of those schools, or one or more school districts if

1 the events are sponsored by an entity recognized by the school
2 district that consists primarily of volunteers and includes
3 parents and teachers of the school children. This paragraph
4 does not apply to fundraising events (i) for the benefit of
5 private home instruction or (ii) for which the fundraising
6 entity purchases the personal property sold at the events from
7 another individual or entity that sold the property for the
8 purpose of resale by the fundraising entity and that profits
9 from the sale to the fundraising entity. This paragraph is
10 exempt from the provisions of Section 2-70.

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

21 (35-5) Beginning August 23, 2001 and through June 30, 2011,
22 food for human consumption that is to be consumed off the
23 premises where it is sold (other than alcoholic beverages, soft
24 drinks, and food that has been prepared for immediate
25 consumption) and prescription and nonprescription medicines,
26 drugs, medical appliances, and insulin, urine testing

1 materials, syringes, and needles used by diabetics, for human
2 use, when purchased for use by a person receiving medical
3 assistance under Article V of the Illinois Public Aid Code who
4 resides in a licensed long-term care facility, as defined in
5 the Nursing Home Care Act, or a licensed facility as defined in
6 the ID/DD Community Care Act or the Specialized Mental Health
7 Rehabilitation Act.

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

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

24 (38) Beginning on January 1, 2002 and through June 30,
25 2016, tangible personal property purchased from an Illinois
26 retailer by a taxpayer engaged in centralized purchasing

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

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

1 exempt from the provisions of Section 2-70.

2 (40) Beginning January 1, 2010, materials, parts,
3 equipment, components, and furnishings incorporated into or
4 upon an aircraft as part of the modification, refurbishment,
5 completion, replacement, repair, or maintenance of the
6 aircraft. This exemption includes consumable supplies used in
7 the modification, refurbishment, completion, replacement,
8 repair, and maintenance of aircraft, but excludes any
9 materials, parts, equipment, components, and consumable
10 supplies used in the modification, replacement, repair, and
11 maintenance of aircraft engines or power plants, whether such
12 engines or power plants are installed or uninstalled upon any
13 such aircraft. "Consumable supplies" include, but are not
14 limited to, adhesive, tape, sandpaper, general purpose
15 lubricants, cleaning solution, latex gloves, and protective
16 films. This exemption applies only to those organizations that
17 (i) hold an Air Agency Certificate and are empowered to operate
18 an approved repair station by the Federal Aviation
19 Administration, (ii) have a Class IV Rating, and (iii) conduct
20 operations in accordance with Part 145 of the Federal Aviation
21 Regulations. The exemption does not include aircraft operated
22 by a commercial air carrier providing scheduled passenger air
23 service pursuant to authority issued under Part 121 or Part 129
24 of the Federal Aviation Regulations.

25 (41) Tangible personal property sold to a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 2-70.

13 (42) Beginning on January 1, 2013, and through December 31,
14 2022, tangible personal property that is incorporated into real
15 estate within a manufacturing or graphic arts facility and used
16 or consumed for research and development or used or consumed in
17 activities including preproduction material handling, quality
18 control, inventory control, storage, staging, and packaging
19 for shipping and transportation purposes.

20 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
21 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
22 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
23 1-1-12; 97-431, eff. 8-16-11; revised 9-12-11.)

24 (Text of Section after amendment by P.A. 97-636)

25 Sec. 2-5. Exemptions. Gross receipts from proceeds from the

1 sale of the following tangible personal property are exempt
2 from the tax imposed by this Act:

3 (1) Farm chemicals.

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

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

1 or spreaders. Precision farming equipment includes, but is not
2 limited to, soil testing sensors, computers, monitors,
3 software, global positioning and mapping systems, and other
4 such equipment.

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

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

19 (4) Until July 1, 2003 and beginning again September 1,
20 2004 through December 31, 2012 ~~August 30, 2014~~, graphic arts
21 machinery and equipment, including repair and replacement
22 parts, both new and used, and including that manufactured on
23 special order or purchased for lease, certified by the
24 purchaser to be used primarily for graphic arts production.
25 Equipment includes chemicals or chemicals acting as catalysts
26 but only if the chemicals or chemicals acting as catalysts

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

3 (5) A motor vehicle of the first division, a motor vehicle
4 of the second division that is a self contained motor vehicle
5 designed or permanently converted to provide living quarters
6 for recreational, camping, or travel use, with direct walk
7 through access to the living quarters from the driver's seat,
8 or a motor vehicle of the second division that is of the van
9 configuration designed for the transportation of not less than
10 7 nor more than 16 passengers, as defined in Section 1-146 of
11 the Illinois Vehicle Code, that is used for automobile renting,
12 as defined in the Automobile Renting Occupation and Use Tax
13 Act. This paragraph is exempt from the provisions of Section
14 2-70.

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

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

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

24 (9) Personal property sold to a not-for-profit arts or
25 cultural organization that establishes, by proof required by
26 the Department by rule, that it has received an exemption under

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

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

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

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

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

17 (12-5) On and after July 1, 2003 and through June 30, 2004,
18 motor vehicles of the second division with a gross vehicle
19 weight in excess of 8,000 pounds that are subject to the
20 commercial distribution fee imposed under Section 3-815.1 of
21 the Illinois Vehicle Code. Beginning on July 1, 2004 and
22 through June 30, 2005, the use in this State of motor vehicles
23 of the second division: (i) with a gross vehicle weight rating
24 in excess of 8,000 pounds; (ii) that are subject to the
25 commercial distribution fee imposed under Section 3-815.1 of
26 the Illinois Vehicle Code; and (iii) that are primarily used

1 for commercial purposes. Through June 30, 2005, this exemption
2 applies to repair and replacement parts added after the initial
3 purchase of such a motor vehicle if that motor vehicle is used
4 in a manner that would qualify for the rolling stock exemption
5 otherwise provided for in this Act. For purposes of this
6 paragraph, "used for commercial purposes" means the
7 transportation of persons or property in furtherance of any
8 commercial or industrial enterprise whether for-hire or not.

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

16 (14) Until January 1, 2013, machinery ~~Machinery~~ and
17 equipment that will be used by the purchaser, or a lessee of
18 the purchaser, primarily in the process of manufacturing or
19 assembling tangible personal property for wholesale or retail
20 sale or lease, whether the sale or lease is made directly by
21 the manufacturer or by some other person, whether the materials
22 used in the process are owned by the manufacturer or some other
23 person, or whether the sale or lease is made apart from or as
24 an incident to the seller's engaging in the service occupation
25 of producing machines, tools, dies, jigs, patterns, gauges, or
26 other similar items of no commercial value on special order for

1 a particular purchaser.

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

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

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

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

24 (19) Until July 1 2003, oil field exploration, drilling,
25 and production equipment, including (i) rigs and parts of rigs,
26 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and

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

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

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

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

24 (23) A transaction in which the purchase order is received
25 by a florist who is located outside Illinois, but who has a
26 florist located in Illinois deliver the property to the

1 purchaser or the purchaser's donee in Illinois.

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

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

20 (25-5) The exemption under item (25) does not apply if the
21 state in which the motor vehicle will be titled does not allow
22 a reciprocal exemption for a motor vehicle sold and delivered
23 in that state to an Illinois resident but titled in Illinois.
24 The tax collected under this Act on the sale of a motor vehicle
25 in this State to a resident of another state that does not
26 allow a reciprocal exemption shall be imposed at a rate equal

1 to the state's rate of tax on taxable property in the state in
2 which the purchaser is a resident, except that the tax shall
3 not exceed the tax that would otherwise be imposed under this
4 Act. At the time of the sale, the purchaser shall execute a
5 statement, signed under penalty of perjury, of his or her
6 intent to title the vehicle in the state in which the purchaser
7 is a resident within 30 days after the sale and of the fact of
8 the payment to the State of Illinois of tax in an amount
9 equivalent to the state's rate of tax on taxable property in
10 his or her state of residence and shall submit the statement to
11 the appropriate tax collection agency in his or her state of
12 residence. In addition, the retailer must retain a signed copy
13 of the statement in his or her records. Nothing in this item
14 shall be construed to require the removal of the vehicle from
15 this state following the filing of an intent to title the
16 vehicle in the purchaser's state of residence if the purchaser
17 titles the vehicle in his or her state of residence within 30
18 days after the date of sale. The tax collected under this Act
19 in accordance with this item (25-5) shall be proportionately
20 distributed as if the tax were collected at the 6.25% general
21 rate imposed under this Act.

22 (25-7) Beginning on July 1, 2007, no tax is imposed under
23 this Act on the sale of an aircraft, as defined in Section 3 of
24 the Illinois Aeronautics Act, if all of the following
25 conditions are met:

26 (1) the aircraft leaves this State within 15 days after

1 the later of either the issuance of the final billing for
2 the sale of the aircraft, or the authorized approval for
3 return to service, completion of the maintenance record
4 entry, and completion of the test flight and ground test
5 for inspection, as required by 14 C.F.R. 91.407;

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

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

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

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

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

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

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

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

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

25 (29) Personal property sold to a lessor who leases the
26 property, under a lease of one year or longer executed or in

1 effect at the time of the purchase, to a governmental body that
2 has been issued an active tax exemption identification number
3 by the Department under Section 1g of this Act.

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

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

26 (32) Beginning July 1, 1999, game or game birds sold at a

1 "game breeding and hunting preserve area" as that term is used
2 in the Wildlife Code. This paragraph is exempt from the
3 provisions of Section 2-70.

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

22 (34) Beginning January 1, 2000, personal property,
23 including food, purchased through fundraising events for the
24 benefit of a public or private elementary or secondary school,
25 a group of those schools, or one or more school districts if
26 the events are sponsored by an entity recognized by the school

1 district that consists primarily of volunteers and includes
2 parents and teachers of the school children. This paragraph
3 does not apply to fundraising events (i) for the benefit of
4 private home instruction or (ii) for which the fundraising
5 entity purchases the personal property sold at the events from
6 another individual or entity that sold the property for the
7 purpose of resale by the fundraising entity and that profits
8 from the sale to the fundraising entity. This paragraph is
9 exempt from the provisions of Section 2-70.

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

20 (35-5) Beginning August 23, 2001 and through June 30, 2016,
21 food for human consumption that is to be consumed off the
22 premises where it is sold (other than alcoholic beverages, soft
23 drinks, and food that has been prepared for immediate
24 consumption) and prescription and nonprescription medicines,
25 drugs, medical appliances, and insulin, urine testing
26 materials, syringes, and needles used by diabetics, for human

1 use, when purchased for use by a person receiving medical
2 assistance under Article V of the Illinois Public Aid Code who
3 resides in a licensed long-term care facility, as defined in
4 the Nursing Home Care Act, or a licensed facility as defined in
5 the ID/DD Community Care Act or the Specialized Mental Health
6 Rehabilitation Act.

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

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

23 (38) Beginning on January 1, 2002 and through June 30,
24 2016, tangible personal property purchased from an Illinois
25 retailer by a taxpayer engaged in centralized purchasing
26 activities in Illinois who will, upon receipt of the property

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

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

1 (40) Beginning January 1, 2010, materials, parts,
2 equipment, components, and furnishings incorporated into or
3 upon an aircraft as part of the modification, refurbishment,
4 completion, replacement, repair, or maintenance of the
5 aircraft. This exemption includes consumable supplies used in
6 the modification, refurbishment, completion, replacement,
7 repair, and maintenance of aircraft, but excludes any
8 materials, parts, equipment, components, and consumable
9 supplies used in the modification, replacement, repair, and
10 maintenance of aircraft engines or power plants, whether such
11 engines or power plants are installed or uninstalled upon any
12 such aircraft. "Consumable supplies" include, but are not
13 limited to, adhesive, tape, sandpaper, general purpose
14 lubricants, cleaning solution, latex gloves, and protective
15 films. This exemption applies only to those organizations that
16 (i) hold an Air Agency Certificate and are empowered to operate
17 an approved repair station by the Federal Aviation
18 Administration, (ii) have a Class IV Rating, and (iii) conduct
19 operations in accordance with Part 145 of the Federal Aviation
20 Regulations. The exemption does not include aircraft operated
21 by a commercial air carrier providing scheduled passenger air
22 service pursuant to authority issued under Part 121 or Part 129
23 of the Federal Aviation Regulations.

24 (41) Tangible personal property sold to a
25 public-facilities corporation, as described in Section
26 11-65-10 of the Illinois Municipal Code, for purposes of

1 constructing or furnishing a municipal convention hall, but
2 only if the legal title to the municipal convention hall is
3 transferred to the municipality without any further
4 consideration by or on behalf of the municipality at the time
5 of the completion of the municipal convention hall or upon the
6 retirement or redemption of any bonds or other debt instruments
7 issued by the public-facilities corporation in connection with
8 the development of the municipal convention hall. This
9 exemption includes existing public-facilities corporations as
10 provided in Section 11-65-25 of the Illinois Municipal Code.
11 This paragraph is exempt from the provisions of Section 2-70.

12 (42) Beginning on January 1, 2013, and through December 31,
13 2022, tangible personal property that is incorporated into real
14 estate within a manufacturing or graphic arts facility and used
15 or consumed for research and development or used or consumed in
16 activities including preproduction material handling, quality
17 control, inventory control, storage, staging, and packaging
18 for shipping and transportation purposes.

19 (Source: P.A. 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
20 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; 96-1000, eff.
21 7-2-10; 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227, eff.
22 1-1-12; 97-431, eff. 8-16-11; 97-636, eff. 6-1-12.)

23 Section 95. No acceleration or delay. Where this Act makes
24 changes in a statute that is represented in this Act by text
25 that is not yet or no longer in effect (for example, a Section

1 represented by multiple versions), the use of that text does
2 not accelerate or delay the taking effect of (i) the changes
3 made by this Act or (ii) provisions derived from any other
4 Public Act.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.