



Rep. William Davis

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1 AMENDMENT TO HOUSE BILL 293

2 AMENDMENT NO. _____. Amend House Bill 293 by replacing
3 everything after the enacting clause with the following:

4 "ARTICLE 5. ENTERPRISE ZONES

5 Section 5-5. The Illinois Enterprise Zone Act is amended by
6 changing Section 5.3 as follows:

7 (20 ILCS 655/5.3) (from Ch. 67 1/2, par. 608)

8 Sec. 5.3. Certification of Enterprise Zones; effective
9 date.

10 (a) Certification of Board-approved designated Enterprise
11 Zones shall be made by the Department by certification of the
12 designating ordinance. The Department shall promptly issue a
13 certificate for each Enterprise Zone upon approval by the
14 Board. The certificate shall be signed by the Director of the
15 Department, shall make specific reference to the designating

1 ordinance, which shall be attached thereto, and shall be filed
2 in the office of the Secretary of State. A certified copy of
3 the Enterprise Zone Certificate, or a duplicate original
4 thereof, shall be recorded in the office of recorder of deeds
5 of the county in which the Enterprise Zone lies.

6 (b) An Enterprise Zone certified prior to January 1, 2016
7 or on or after January 1, 2017 shall be effective on January 1
8 of the first calendar year after Department certification. An
9 Enterprise Zone certified on or after January 1, 2016 and on or
10 before December 31, 2016 shall be effective on the date of the
11 Department's certification. The Department shall transmit a
12 copy of the certification to the Department of Revenue, and to
13 the designating municipality or county.

14 Upon certification of an Enterprise Zone, the terms and
15 provisions of the designating ordinance shall be in effect, and
16 may not be amended or repealed except in accordance with
17 Section 5.4.

18 (c) With the exception of Enterprise Zones scheduled to
19 expire before December 31, 2018, an Enterprise Zone designated
20 before the effective date of this amendatory Act of the 97th
21 General Assembly shall be in effect for 30 calendar years, or
22 for a lesser number of years specified in the certified
23 designating ordinance. Notwithstanding the foregoing, any
24 Enterprise Zone in existence on the effective date of this
25 amendatory Act of the 98th General Assembly that has a term of
26 20 calendar years may be extended for an additional 10 calendar

1 years upon amendment of the designating ordinance by the
2 designating municipality or county and submission of the
3 ordinance to the Department. The amended ordinance must be
4 properly recorded in the Office of Recorder of Deeds of each
5 county in which the Enterprise Zone lies. Each Enterprise Zone
6 in existence on the effective date of this amendatory Act of
7 the 97th General Assembly that is scheduled to expire before
8 July 1, 2016 may have its termination date extended until July
9 1, 2016 upon amendment of the designating ordinance by the
10 designating municipality or county extending the termination
11 date to July 1, 2016 and submission of the ordinance to the
12 Department. The amended ordinance must be properly recorded in
13 the Office of Recorder of Deeds of each county in which the
14 Enterprise Zone lies. An Enterprise Zone designated on or after
15 the effective date of this amendatory Act of the 97th General
16 Assembly shall be in effect for a term of 15 calendar years, or
17 for a lesser number of years specified in the certified
18 designating ordinance. An enterprise zone designated on or
19 after the effective date of this amendatory Act of the 97th
20 General Assembly shall be subject to review by the Board after
21 13 years for an additional 10-year designation beginning on the
22 expiration date of the enterprise zone. During the review
23 process, the Board shall consider the costs incurred by the
24 State and units of local government as a result of tax benefits
25 received by the enterprise zone. Enterprise Zones shall
26 terminate at midnight of December 31 of the final calendar year

1 of the certified term, except as provided in Section 5.4.

2 (d) No more than 12 Enterprise Zones may be certified by
3 the Department in calendar year 1984, no more than 12
4 Enterprise Zones may be certified by the Department in calendar
5 year 1985, no more than 13 Enterprise Zones may be certified by
6 the Department in calendar year 1986, no more than 15
7 Enterprise Zones may be certified by the Department in calendar
8 year 1987, and no more than 20 Enterprise Zones may be
9 certified by the Department in calendar year 1990. In other
10 calendar years, no more than 13 Enterprise Zones may be
11 certified by the Department. The Department may also designate
12 up to 8 additional Enterprise Zones outside the regular
13 application cycle if warranted by the extreme economic
14 circumstances as determined by the Department. The Department
15 may also designate one additional Enterprise Zone outside the
16 regular application cycle if an aircraft manufacturer agrees to
17 locate an aircraft manufacturing facility in the proposed
18 Enterprise Zone. Notwithstanding any other provision of this
19 Act, no more than 89 Enterprise Zones may be certified by the
20 Department for the 10 calendar years commencing with 1983. The
21 7 additional Enterprise Zones authorized by Public Act 86-15
22 shall not lie within municipalities or unincorporated areas of
23 counties that abut or are contiguous to Enterprise Zones
24 certified pursuant to this Section prior to June 30, 1989. The
25 7 additional Enterprise Zones (excluding the additional
26 Enterprise Zone which may be designated outside the regular

1 application cycle) authorized by Public Act 86-1030 shall not
2 lie within municipalities or unincorporated areas of counties
3 that abut or are contiguous to Enterprise Zones certified
4 pursuant to this Section prior to February 28, 1990. Beginning
5 in calendar year 2004 and until December 31, 2008, one
6 additional enterprise zone may be certified by the Department.
7 In any calendar year, the Department may not certify more than
8 3 Zones located within the same municipality. The Department
9 may certify Enterprise Zones in each of the 10 calendar years
10 commencing with 1983. The Department may not certify more than
11 a total of 18 Enterprise Zones located within the same county
12 (whether within municipalities or within unincorporated
13 territory) for the 10 calendar years commencing with 1983.
14 Thereafter, the Department may not certify any additional
15 Enterprise Zones, but may amend and rescind certifications of
16 existing Enterprise Zones in accordance with Section 5.4.

17 (e) Notwithstanding any other provision of law, if (i) the
18 county board of any county in which a current military base is
19 located, in part or in whole, or in which a military base that
20 has been closed within 20 years of the effective date of this
21 amendatory Act of 1998 is located, in part or in whole, adopts
22 a designating ordinance in accordance with Section 5 of this
23 Act to designate the military base in that county as an
24 enterprise zone and (ii) the property otherwise meets the
25 qualifications for an enterprise zone as prescribed in Section
26 4 of this Act, then the Department may certify the designating

1 ordinance or ordinances, as the case may be.

2 (f) Applications for Enterprise Zones that are scheduled to
3 expire in 2016, including Enterprise Zones that have been
4 extended until 2016 by this amendatory Act of the 97th General
5 Assembly, shall be submitted to the Department no later than
6 December 31, 2014. At that time, the Zone becomes available for
7 either the previously designated area or a different area to
8 compete for designation. No preference for designation as a
9 Zone will be given to the previously designated area.

10 For Enterprise Zones that are scheduled to expire on or
11 after January 1, 2017, an application process shall begin 2
12 years prior to the year in which the Zone expires. At that
13 time, the Zone becomes available for either the previously
14 designated area or a different area to compete for designation.
15 No preference for designation as a Zone will be given to the
16 previously designated area.

17 Each Enterprise Zone that reapplies for certification but
18 does not receive a new certification shall expire on its
19 scheduled termination date.

20 (g) Notwithstanding any other provision of law, no new
21 Enterprise Zone shall be certified on or after the effective
22 date of this amendatory Act of the 99th General Assembly, and
23 no Enterprise Zone certified prior to the effective date of
24 this amendatory Act of the 99th General Assembly shall be
25 renewed or extended on or after the effective date of this
26 amendatory Act of the 99th General Assembly.

1 (Source: P.A. 98-109, eff. 7-25-13; 99-615, eff. 7-22-16.)

2 ARTICLE 10. INCOME TAX ACT

3 Section 10-5. The Illinois Income Tax Act is amended by
4 changing Sections 201, 203, 223, 304, 901, and 1501 and by
5 adding Section 309 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

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

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

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

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2
2 1/2% of the taxpayer's net income for the period prior to
3 July 1, 1989, as calculated under Section 202.3, and (ii)
4 3% of the taxpayer's net income for the period after June
5 30, 1989, as calculated under Section 202.3.

6 (3) In the case of an individual, trust or estate, for
7 taxable years beginning after June 30, 1989, and ending
8 prior to January 1, 2011, an amount equal to 3% of the
9 taxpayer's net income for the taxable year.

10 (4) In the case of an individual, trust, or estate, for
11 taxable years beginning prior to January 1, 2011, and
12 ending after December 31, 2010, an amount equal to the sum
13 of (i) 3% of the taxpayer's net income for the period prior
14 to January 1, 2011, as calculated under Section 202.5, and
15 (ii) 5% of the taxpayer's net income for the period after
16 December 31, 2010, as calculated under Section 202.5.

17 (5) In the case of an individual, trust, or estate, for
18 taxable years beginning on or after January 1, 2011, and
19 ending prior to January 1, 2015, an amount equal to 5% of
20 the taxpayer's net income for the taxable year.

21 (5.1) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2015, and
23 ending after December 31, 2014, an amount equal to the sum
24 of (i) 5% of the taxpayer's net income for the period prior
25 to January 1, 2015, as calculated under Section 202.5, and
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section 202.5.

2 (5.2) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after January 1, 2015,
4 ~~and ending prior to January 1, 2025,~~ an amount equal to
5 3.75% of the taxpayer's net income for the taxable year.

6 (5.3) (Blank). ~~In the case of an individual, trust, or~~
7 ~~estate, for taxable years beginning prior to January 1,~~
8 ~~2025, and ending after December 31, 2024, an amount equal~~
9 ~~to the sum of (i) 3.75% of the taxpayer's net income for~~
10 ~~the period prior to January 1, 2025, as calculated under~~
11 ~~Section 202.5, and (ii) 3.25% of the taxpayer's net income~~
12 ~~for the period after December 31, 2024, as calculated under~~
13 ~~Section 202.5.~~

14 (5.4) (Blank). ~~In the case of an individual, trust, or~~
15 ~~estate, for taxable years beginning on or after January 1,~~
16 ~~2025, an amount equal to 3.25% of the taxpayer's net income~~
17 ~~for the taxable year.~~

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

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

1 as calculated under Section 202.3.

2 (8) In the case of a corporation, for taxable years
3 beginning after June 30, 1989, and ending prior to January
4 1, 2011, an amount equal to 4.8% of the taxpayer's net
5 income for the taxable year.

6 (9) In the case of a corporation, for taxable years
7 beginning prior to January 1, 2011, and ending after
8 December 31, 2010, an amount equal to the sum of (i) 4.8%
9 of the taxpayer's net income for the period prior to
10 January 1, 2011, as calculated under Section 202.5, and
11 (ii) 7% of the taxpayer's net income for the period after
12 December 31, 2010, as calculated under Section 202.5.

13 (10) In the case of a corporation, for taxable years
14 beginning on or after January 1, 2011, and ending prior to
15 January 1, 2015, an amount equal to 7% of the taxpayer's
16 net income for the taxable year.

17 (11) In the case of a corporation, for taxable years
18 beginning prior to January 1, 2015, and ending after
19 December 31, 2014, an amount equal to the sum of (i) 7% of
20 the taxpayer's net income for the period prior to January
21 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
22 of the taxpayer's net income for the period after December
23 31, 2014, as calculated under Section 202.5.

24 (12) In the case of a corporation, for taxable years
25 beginning on or after January 1, 2015, and ending prior to
26 January 1, 2017 ~~January 1, 2025~~, an amount equal to 5.25%

1 of the taxpayer's net income for the taxable year.

2 (13) In the case of a corporation, for taxable years
3 beginning prior to January 1, 2017 ~~January 1, 2025~~, and
4 ending after December 31, 2016 ~~December 31, 2024~~, an amount
5 equal to the sum of (i) 5.25% of the taxpayer's net income
6 for the period prior to January 1, 2025, as calculated
7 under Section 202.5, and (ii) 6% ~~4.8%~~ of the taxpayer's net
8 income for the period after December 31, 2016 ~~December 31,~~
9 ~~2024~~, as calculated under Section 202.5.

10 (14) In the case of a corporation, for taxable years
11 beginning on or after January 1, 2017 ~~January 1, 2025~~, an
12 amount equal to 6% ~~4.8%~~ of the taxpayer's net income for
13 the taxable year.

14 The rates under this subsection (b) are subject to the
15 provisions of Section 201.5.

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

1 this State or by any municipal corporation or political
2 subdivision thereof.

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

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

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

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

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

19 (B) the privilege tax imposed by Section 409 of the
20 Illinois Insurance Code, the fire insurance company
21 tax imposed by Section 12 of the Fire Investigation
22 Act, and the fire department taxes imposed under
23 Section 11-10-1 of the Illinois Municipal Code,
24 equals 1.25% for taxable years ending prior to December 31,
25 2003, or 1.75% for taxable years ending on or after
26 December 31, 2003, of the net taxable premiums written for

1 the taxable year, as described by subsection (1) of Section
2 409 of the Illinois Insurance Code. This paragraph will in
3 no event increase the rates imposed under subsections (b)
4 and (d).

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

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

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

17 (1) A taxpayer shall be allowed a credit equal to .5%
18 of the basis of qualified property placed in service during
19 the taxable year, provided such property is placed in
20 service on or after July 1, 1984. There shall be allowed an
21 additional credit equal to .5% of the basis of qualified
22 property placed in service during the taxable year,
23 provided such property is placed in service on or after
24 July 1, 1986, and the taxpayer's base employment within
25 Illinois has increased by 1% or more over the preceding
26 year as determined by the taxpayer's employment records

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

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

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

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

1 signs that are real property, but not including land or
2 improvements to real property that are not a structural
3 component of a building such as landscaping, sewer
4 lines, local access roads, fencing, parking lots, and
5 other appurtenances;

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

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

13 (D) is used in Illinois by a taxpayer who is
14 primarily engaged in manufacturing, or in mining coal
15 or fluorite, or in retailing, or was placed in service
16 on or after July 1, 2006 in a River Edge Redevelopment
17 Zone established pursuant to the River Edge
18 Redevelopment Zone Act; and

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

23 (3) For purposes of this subsection (e),
24 "manufacturing" means the material staging and production
25 of tangible personal property by procedures commonly
26 regarded as manufacturing, processing, fabrication, or

1 assembling which changes some existing material into new
2 shapes, new qualities, or new combinations. For purposes of
3 this subsection (e) the term "mining" shall have the same
4 meaning as the term "mining" in Section 613(c) of the
5 Internal Revenue Code. For purposes of this subsection (e),
6 the term "retailing" means the sale of tangible personal
7 property for use or consumption and not for resale, or
8 services rendered in conjunction with the sale of tangible
9 personal property for use or consumption and not for
10 resale. For purposes of this subsection (e), "tangible
11 personal property" has the same meaning as when that term
12 is used in the Retailers' Occupation Tax Act, and, for
13 taxable years ending after December 31, 2008, does not
14 include the generation, transmission, or distribution of
15 electricity.

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

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

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

26 (7) If during any taxable year, any property ceases to

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

16 (8) Unless the investment credit is extended by law,
17 the basis of qualified property shall not include costs
18 incurred after December 31, 2018, except for costs incurred
19 pursuant to a binding contract entered into on or before
20 December 31, 2018.

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

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

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

25 (f) Investment credit; Enterprise Zone; River Edge
26 Redevelopment Zone.

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

1 as later amended, such excess may be carried forward and
2 applied to the tax liability of the 5 taxable years
3 following the excess credit year. The credit shall be
4 applied to the earliest year for which there is a
5 liability. If there is credit from more than one tax year
6 that is available to offset a liability, the credit
7 accruing first in time shall be applied first.

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

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

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

16 (C) is acquired by purchase as defined in Section
17 179(d) of the Internal Revenue Code;

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

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

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

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

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

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

26 (7) There shall be allowed an additional credit equal

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

17 (g) (Blank).

18 (h) Investment credit; High Impact Business.

19 (1) Subject to subsections (b) and (b-5) of Section 5.5
20 of the Illinois Enterprise Zone Act, a taxpayer shall be
21 allowed a credit against the tax imposed by subsections (a)
22 and (b) of this Section for investment in qualified
23 property which is placed in service by a Department of
24 Commerce and Economic Opportunity designated High Impact
25 Business. The credit shall be .5% of the basis for such
26 property. The credit shall not be available (i) until the

1 minimum investments in qualified property set forth in
2 subdivision (a)(3)(A) of Section 5.5 of the Illinois
3 Enterprise Zone Act have been satisfied or (ii) until the
4 time authorized in subsection (b-5) of the Illinois
5 Enterprise Zone Act for entities designated as High Impact
6 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
7 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
8 Act, and shall not be allowed to the extent that it would
9 reduce a taxpayer's liability for the tax imposed by
10 subsections (a) and (b) of this Section to below zero. The
11 credit applicable to such investments shall be taken in the
12 taxable year in which such investments have been completed.
13 The credit for additional investments beyond the minimum
14 investment by a designated high impact business authorized
15 under subdivision (a)(3)(A) of Section 5.5 of the Illinois
16 Enterprise Zone Act shall be available only in the taxable
17 year in which the property is placed in service and shall
18 not be allowed to the extent that it would reduce a
19 taxpayer's liability for the tax imposed by subsections (a)
20 and (b) of this Section to below zero. For tax years ending
21 on or after December 31, 1987, the credit shall be allowed
22 for the tax year in which the property is placed in
23 service, or, if the amount of the credit exceeds the tax
24 liability for that year, whether it exceeds the original
25 liability or the liability as later amended, such excess
26 may be carried forward and applied to the tax liability of

1 the 5 taxable years following the excess credit year. The
2 credit shall be applied to the earliest year for which
3 there is a liability. If there is credit from more than one
4 tax year that is available to offset a liability, the
5 credit accruing first in time shall be applied first.

6 Changes made in this subdivision (h) (1) by Public Act
7 88-670 restore changes made by Public Act 85-1182 and
8 reflect existing law.

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

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

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

17 (C) is acquired by purchase as defined in Section
18 179(d) of the Internal Revenue Code; and

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

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

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

1 in service in a federally designated Foreign Trade Zone or
2 Sub-Zone located in Illinois by the taxpayer, the amount of
3 such increase shall be deemed property placed in service on
4 the date of such increase in basis.

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

7 (6) If during any taxable year ending on or before
8 December 31, 1996, any property ceases to be qualified
9 property in the hands of the taxpayer within 48 months
10 after being placed in service, or the situs of any
11 qualified property is moved outside Illinois within 48
12 months after being placed in service, the tax imposed under
13 subsections (a) and (b) of this Section for such taxable
14 year shall be increased. Such increase shall be determined
15 by (i) recomputing the investment credit which would have
16 been allowed for the year in which credit for such property
17 was originally allowed by eliminating such property from
18 such computation, and (ii) subtracting such recomputed
19 credit from the amount of credit previously allowed. For
20 the purposes of this paragraph (6), a reduction of the
21 basis of qualified property resulting from a
22 redetermination of the purchase price shall be deemed a
23 disposition of qualified property to the extent of such
24 reduction.

25 (7) Beginning with tax years ending after December 31,
26 1996, if a taxpayer qualifies for the credit under this

1 subsection (h) and thereby is granted a tax abatement and
2 the taxpayer relocates its entire facility in violation of
3 the explicit terms and length of the contract under Section
4 18-183 of the Property Tax Code, the tax imposed under
5 subsections (a) and (b) of this Section shall be increased
6 for the taxable year in which the taxpayer relocated its
7 facility by an amount equal to the amount of credit
8 received by the taxpayer under this subsection (h).

9 (i) Credit for Personal Property Tax Replacement Income
10 Tax. For tax years ending prior to December 31, 2003, a credit
11 shall be allowed against the tax imposed by subsections (a) and
12 (b) of this Section for the tax imposed by subsections (c) and
13 (d) of this Section. This credit shall be computed by
14 multiplying the tax imposed by subsections (c) and (d) of this
15 Section by a fraction, the numerator of which is base income
16 allocable to Illinois and the denominator of which is Illinois
17 base income, and further multiplying the product by the tax
18 rate imposed by subsections (a) and (b) of this Section.

19 Any credit earned on or after December 31, 1986 under this
20 subsection which is unused in the year the credit is computed
21 because it exceeds the tax liability imposed by subsections (a)
22 and (b) for that year (whether it exceeds the original
23 liability or the liability as later amended) may be carried
24 forward and applied to the tax liability imposed by subsections
25 (a) and (b) of the 5 taxable years following the excess credit
26 year, provided that no credit may be carried forward to any

1 year ending on or after December 31, 2003. This credit shall be
2 applied first to the earliest year for which there is a
3 liability. If there is a credit under this subsection from more
4 than one tax year that is available to offset a liability the
5 earliest credit arising under this subsection shall be applied
6 first.

7 If, during any taxable year ending on or after December 31,
8 1986, the tax imposed by subsections (c) and (d) of this
9 Section for which a taxpayer has claimed a credit under this
10 subsection (i) is reduced, the amount of credit for such tax
11 shall also be reduced. Such reduction shall be determined by
12 recomputing the credit to take into account the reduced tax
13 imposed by subsections (c) and (d). If any portion of the
14 reduced amount of credit has been carried to a different
15 taxable year, an amended return shall be filed for such taxable
16 year to reduce the amount of credit claimed.

17 (j) Training expense credit. Beginning with tax years
18 ending on or after December 31, 1986 and prior to December 31,
19 2003, a taxpayer shall be allowed a credit against the tax
20 imposed by subsections (a) and (b) under this Section for all
21 amounts paid or accrued, on behalf of all persons employed by
22 the taxpayer in Illinois or Illinois residents employed outside
23 of Illinois by a taxpayer, for educational or vocational
24 training in semi-technical or technical fields or semi-skilled
25 or skilled fields, which were deducted from gross income in the
26 computation of taxable income. The credit against the tax

1 imposed by subsections (a) and (b) shall be 1.6% of such
2 training expenses. For partners, shareholders of subchapter S
3 corporations, and owners of limited liability companies, if the
4 liability company is treated as a partnership for purposes of
5 federal and State income taxation, there shall be allowed a
6 credit under this subsection (j) to be determined in accordance
7 with the determination of income and distributive share of
8 income under Sections 702 and 704 and subchapter S of the
9 Internal Revenue Code.

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

20 (k) Research and development credit. For tax years ending
21 after July 1, 1990 and prior to December 31, 2003, and
22 beginning again for tax years ending on or after December 31,
23 2004, and ending prior to January 1, 2016, a taxpayer shall be
24 allowed a credit against the tax imposed by subsections (a) and
25 (b) of this Section for increasing research activities in this
26 State. The credit allowed against the tax imposed by

1 subsections (a) and (b) shall be equal to 6 1/2% of the
2 qualifying expenditures for increasing research activities in
3 this State. For partners, shareholders of subchapter S
4 corporations, and owners of limited liability companies, if the
5 liability company is treated as a partnership for purposes of
6 federal and State income taxation, there shall be allowed a
7 credit under this subsection to be determined in accordance
8 with the determination of income and distributive share of
9 income under Sections 702 and 704 and subchapter S of the
10 Internal Revenue Code.

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

24 Any credit in excess of the tax liability for the taxable
25 year may be carried forward. A taxpayer may elect to have the
26 unused credit shown on its final completed return carried over

1 as a credit against the tax liability for the following 5
2 taxable years or until it has been fully used, whichever occurs
3 first; provided that no credit earned in a tax year ending
4 prior to December 31, 2003 may be carried forward to any year
5 ending on or after December 31, 2003 and no credit earned in a
6 tax year ending prior to January 1, 2016 may be carried forward
7 to any year ending on or after January 1, 2016.

8 If an unused credit is carried forward to a given year from
9 2 or more earlier years, that credit arising in the earliest
10 year will be applied first against the tax liability for the
11 given year. If a tax liability for the given year still
12 remains, the credit from the next earliest year will then be
13 applied, and so on, until all credits have been used or no tax
14 liability for the given year remains. Any remaining unused
15 credit or credits then will be carried forward to the next
16 following year in which a tax liability is incurred, except
17 that no credit can be carried forward to a year which is more
18 than 5 years after the year in which the expense for which the
19 credit is given was incurred.

20 No inference shall be drawn from this amendatory Act of the
21 91st General Assembly in construing this Section for taxable
22 years beginning before January 1, 1999.

23 (1) Environmental Remediation Tax Credit.

24 (i) For tax years ending after December 31, 1997 and on
25 or before December 31, 2001, a taxpayer shall be allowed a
26 credit against the tax imposed by subsections (a) and (b)

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

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

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

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

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

21 (m) Education expense credit. Beginning with tax years
22 ending after December 31, 1999, a taxpayer who is the custodian
23 of one or more qualifying pupils shall be allowed a credit
24 against the tax imposed by subsections (a) and (b) of this
25 Section for qualified education expenses incurred on behalf of
26 the qualifying pupils. The credit shall be equal to 25% of

1 qualified education expenses, but in no event may the total
2 credit under this subsection claimed by a family that is the
3 custodian of qualifying pupils exceed \$500. In no event shall a
4 credit under this subsection reduce the taxpayer's liability
5 under this Act to less than zero. This subsection is exempt
6 from the provisions of Section 250 of this Act.

7 For purposes of this subsection:

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

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

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

26 "Custodian" means, with respect to qualifying pupils, an

1 Illinois resident who is a parent, the parents, a legal
2 guardian, or the legal guardians of the qualifying pupils.

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

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

1 consistent with rules adopted by the Pollution Control
2 Board pursuant to the Illinois Administrative Procedure
3 Act for the administration and enforcement of Section 58.9
4 of the Environmental Protection Act. For purposes of this
5 Section, "taxpayer" includes a person whose tax attributes
6 the taxpayer has succeeded to under Section 381 of the
7 Internal Revenue Code and "related party" includes the
8 persons disallowed a deduction for losses by paragraphs
9 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
10 Code by virtue of being a related taxpayer, as well as any
11 of its partners. The credit allowed against the tax imposed
12 by subsections (a) and (b) shall be equal to 25% of the
13 unreimbursed eligible remediation costs in excess of
14 \$100,000 per site.

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

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

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

14 (o) For each of taxable years during the Compassionate Use
15 of Medical Cannabis Pilot Program, a surcharge is imposed on
16 all taxpayers on income arising from the sale or exchange of
17 capital assets, depreciable business property, real property
18 used in the trade or business, and Section 197 intangibles of
19 an organization registrant under the Compassionate Use of
20 Medical Cannabis Pilot Program Act. The amount of the surcharge
21 is equal to the amount of federal income tax liability for the
22 taxable year attributable to those sales and exchanges. The
23 surcharge imposed does not apply if:

24 (1) the medical cannabis cultivation center
25 registration, medical cannabis dispensary registration, or
26 the property of a registration is transferred as a result

1 of any of the following:

2 (A) bankruptcy, a receivership, or a debt
3 adjustment initiated by or against the initial
4 registration or the substantial owners of the initial
5 registration;

6 (B) cancellation, revocation, or termination of
7 any registration by the Illinois Department of Public
8 Health;

9 (C) a determination by the Illinois Department of
10 Public Health that transfer of the registration is in
11 the best interests of Illinois qualifying patients as
12 defined by the Compassionate Use of Medical Cannabis
13 Pilot Program Act;

14 (D) the death of an owner of the equity interest in
15 a registrant;

16 (E) the acquisition of a controlling interest in
17 the stock or substantially all of the assets of a
18 publicly traded company;

19 (F) a transfer by a parent company to a wholly
20 owned subsidiary; or

21 (G) the transfer or sale to or by one person to
22 another person where both persons were initial owners
23 of the registration when the registration was issued;
24 or

25 (2) the cannabis cultivation center registration,
26 medical cannabis dispensary registration, or the

1 controlling interest in a registrant's property is
2 transferred in a transaction to lineal descendants in which
3 no gain or loss is recognized or as a result of a
4 transaction in accordance with Section 351 of the Internal
5 Revenue Code in which no gain or loss is recognized.

6 (Source: P.A. 97-2, eff. 5-6-11; 97-636, eff. 6-1-12; 97-905,
7 eff. 8-7-12; 98-109, eff. 7-25-13; 98-122, eff. 1-1-14; 98-756,
8 eff. 7-16-14.)

9 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

10 Sec. 203. Base income defined.

11 (a) Individuals.

12 (1) In general. In the case of an individual, base
13 income means an amount equal to the taxpayer's adjusted
14 gross income for the taxable year as modified by paragraph
15 (2).

16 (2) Modifications. The adjusted gross income referred
17 to in paragraph (1) shall be modified by adding thereto the
18 sum of the following amounts:

19 (A) An amount equal to all amounts paid or accrued
20 to the taxpayer as interest or dividends during the
21 taxable year to the extent excluded from gross income
22 in the computation of adjusted gross income, except
23 stock dividends of qualified public utilities
24 described in Section 305(e) of the Internal Revenue
25 Code;

1 (B) An amount equal to the amount of tax imposed by
2 this Act to the extent deducted from gross income in
3 the computation of adjusted gross income for the
4 taxable year;

5 (C) An amount equal to the amount received during
6 the taxable year as a recovery or refund of real
7 property taxes paid with respect to the taxpayer's
8 principal residence under the Revenue Act of 1939 and
9 for which a deduction was previously taken under
10 subparagraph (L) of this paragraph (2) prior to July 1,
11 1991, the retrospective application date of Article 4
12 of Public Act 87-17. In the case of multi-unit or
13 multi-use structures and farm dwellings, the taxes on
14 the taxpayer's principal residence shall be that
15 portion of the total taxes for the entire property
16 which is attributable to such principal residence;

17 (D) An amount equal to the amount of the capital
18 gain deduction allowable under the Internal Revenue
19 Code, to the extent deducted from gross income in the
20 computation of adjusted gross income;

21 (D-5) An amount, to the extent not included in
22 adjusted gross income, equal to the amount of money
23 withdrawn by the taxpayer in the taxable year from a
24 medical care savings account and the interest earned on
25 the account in the taxable year of a withdrawal
26 pursuant to subsection (b) of Section 20 of the Medical

1 Care Savings Account Act or subsection (b) of Section
2 20 of the Medical Care Savings Account Act of 2000;

3 (D-10) For taxable years ending after December 31,
4 1997, an amount equal to any eligible remediation costs
5 that the individual deducted in computing adjusted
6 gross income and for which the individual claims a
7 credit under subsection (l) of Section 201;

8 (D-15) For taxable years 2001 and thereafter, an
9 amount equal to the bonus depreciation deduction taken
10 on the taxpayer's federal income tax return for the
11 taxable year under subsection (k) of Section 168 of the
12 Internal Revenue Code;

13 (D-16) If the taxpayer sells, transfers, abandons,
14 or otherwise disposes of property for which the
15 taxpayer was required in any taxable year to make an
16 addition modification under subparagraph (D-15), then
17 an amount equal to the aggregate amount of the
18 deductions taken in all taxable years under
19 subparagraph (Z) with respect to that property.

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which the
22 taxpayer may claim a depreciation deduction for
23 federal income tax purposes and for which the taxpayer
24 was allowed in any taxable year to make a subtraction
25 modification under subparagraph (Z), then an amount
26 equal to that subtraction modification.

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;

4 (D-17) An amount equal to the amount otherwise
5 allowed as a deduction in computing base income for
6 interest paid, accrued, or incurred, directly or
7 indirectly, (i) for taxable years ending on or after
8 December 31, 2004, to a foreign person who would be a
9 member of the same unitary business group but for the
10 fact that foreign person's business activity outside
11 the United States is 80% or more of the foreign
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304. The addition modification
20 required by this subparagraph shall be reduced to the
21 extent that dividends were included in base income of
22 the unitary group for the same taxable year and
23 received by the taxpayer or by a member of the
24 taxpayer's unitary business group (including amounts
25 included in gross income under Sections 951 through 964
26 of the Internal Revenue Code and amounts included in

1 gross income under Section 78 of the Internal Revenue
2 Code) with respect to the stock of the same person to
3 whom the interest was paid, accrued, or incurred.

4 This paragraph shall not apply to the following:

5 (i) an item of interest paid, accrued, or
6 incurred, directly or indirectly, to a person who
7 is subject in a foreign country or state, other
8 than a state which requires mandatory unitary
9 reporting, to a tax on or measured by net income
10 with respect to such interest; or

11 (ii) an item of interest paid, accrued, or
12 incurred, directly or indirectly, to a person if
13 the taxpayer can establish, based on a
14 preponderance of the evidence, both of the
15 following:

16 (a) the person, during the same taxable
17 year, paid, accrued, or incurred, the interest
18 to a person that is not a related member, and

19 (b) the transaction giving rise to the
20 interest expense between the taxpayer and the
21 person did not have as a principal purpose the
22 avoidance of Illinois income tax, and is paid
23 pursuant to a contract or agreement that
24 reflects an arm's-length interest rate and
25 terms; or

26 (iii) the taxpayer can establish, based on

1 clear and convincing evidence, that the interest
2 paid, accrued, or incurred relates to a contract or
3 agreement entered into at arm's-length rates and
4 terms and the principal purpose for the payment is
5 not federal or Illinois tax avoidance; or

6 (iv) an item of interest paid, accrued, or
7 incurred, directly or indirectly, to a person if
8 the taxpayer establishes by clear and convincing
9 evidence that the adjustments are unreasonable; or
10 if the taxpayer and the Director agree in writing
11 to the application or use of an alternative method
12 of apportionment under Section 304(f).

13 Nothing in this subsection shall preclude the
14 Director from making any other adjustment
15 otherwise allowed under Section 404 of this Act for
16 any tax year beginning after the effective date of
17 this amendment provided such adjustment is made
18 pursuant to regulation adopted by the Department
19 and such regulations provide methods and standards
20 by which the Department will utilize its authority
21 under Section 404 of this Act;

22 (D-18) An amount equal to the amount of intangible
23 expenses and costs otherwise allowed as a deduction in
24 computing base income, and that were paid, accrued, or
25 incurred, directly or indirectly, (i) for taxable
26 years ending on or after December 31, 2004, to a

1 foreign person who would be a member of the same
2 unitary business group but for the fact that the
3 foreign person's business activity outside the United
4 States is 80% or more of that person's total business
5 activity and (ii) for taxable years ending on or after
6 December 31, 2008, to a person who would be a member of
7 the same unitary business group but for the fact that
8 the person is prohibited under Section 1501(a)(27)
9 from being included in the unitary business group
10 because he or she is ordinarily required to apportion
11 business income under different subsections of Section
12 304. The addition modification required by this
13 subparagraph shall be reduced to the extent that
14 dividends were included in base income of the unitary
15 group for the same taxable year and received by the
16 taxpayer or by a member of the taxpayer's unitary
17 business group (including amounts included in gross
18 income under Sections 951 through 964 of the Internal
19 Revenue Code and amounts included in gross income under
20 Section 78 of the Internal Revenue Code) with respect
21 to the stock of the same person to whom the intangible
22 expenses and costs were directly or indirectly paid,
23 incurred, or accrued. The preceding sentence does not
24 apply to the extent that the same dividends caused a
25 reduction to the addition modification required under
26 Section 203(a)(2)(D-17) of this Act. As used in this

1 subparagraph, the term "intangible expenses and costs"
2 includes (1) expenses, losses, and costs for, or
3 related to, the direct or indirect acquisition, use,
4 maintenance or management, ownership, sale, exchange,
5 or any other disposition of intangible property; (2)
6 losses incurred, directly or indirectly, from
7 factoring transactions or discounting transactions;
8 (3) royalty, patent, technical, and copyright fees;
9 (4) licensing fees; and (5) other similar expenses and
10 costs. For purposes of this subparagraph, "intangible
11 property" includes patents, patent applications, trade
12 names, trademarks, service marks, copyrights, mask
13 works, trade secrets, and similar types of intangible
14 assets.

15 This paragraph shall not apply to the following:

16 (i) any item of intangible expenses or costs
17 paid, accrued, or incurred, directly or
18 indirectly, from a transaction with a person who is
19 subject in a foreign country or state, other than a
20 state which requires mandatory unitary reporting,
21 to a tax on or measured by net income with respect
22 to such item; or

23 (ii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, if the taxpayer can establish, based
26 on a preponderance of the evidence, both of the

1 following:

2 (a) the person during the same taxable
3 year paid, accrued, or incurred, the
4 intangible expense or cost to a person that is
5 not a related member, and

6 (b) the transaction giving rise to the
7 intangible expense or cost between the
8 taxpayer and the person did not have as a
9 principal purpose the avoidance of Illinois
10 income tax, and is paid pursuant to a contract
11 or agreement that reflects arm's-length terms;
12 or

13 (iii) any item of intangible expense or cost
14 paid, accrued, or incurred, directly or
15 indirectly, from a transaction with a person if the
16 taxpayer establishes by clear and convincing
17 evidence, that the adjustments are unreasonable;
18 or if the taxpayer and the Director agree in
19 writing to the application or use of an alternative
20 method of apportionment under Section 304(f);

21 Nothing in this subsection shall preclude the
22 Director from making any other adjustment
23 otherwise allowed under Section 404 of this Act for
24 any tax year beginning after the effective date of
25 this amendment provided such adjustment is made
26 pursuant to regulation adopted by the Department

1 and such regulations provide methods and standards
2 by which the Department will utilize its authority
3 under Section 404 of this Act;

4 (D-19) For taxable years ending on or after
5 December 31, 2008, an amount equal to the amount of
6 insurance premium expenses and costs otherwise allowed
7 as a deduction in computing base income, and that were
8 paid, accrued, or incurred, directly or indirectly, to
9 a person who would be a member of the same unitary
10 business group but for the fact that the person is
11 prohibited under Section 1501(a)(27) from being
12 included in the unitary business group because he or
13 she is ordinarily required to apportion business
14 income under different subsections of Section 304. The
15 addition modification required by this subparagraph
16 shall be reduced to the extent that dividends were
17 included in base income of the unitary group for the
18 same taxable year and received by the taxpayer or by a
19 member of the taxpayer's unitary business group
20 (including amounts included in gross income under
21 Sections 951 through 964 of the Internal Revenue Code
22 and amounts included in gross income under Section 78
23 of the Internal Revenue Code) with respect to the stock
24 of the same person to whom the premiums and costs were
25 directly or indirectly paid, incurred, or accrued. The
26 preceding sentence does not apply to the extent that

1 the same dividends caused a reduction to the addition
2 modification required under Section 203(a)(2)(D-17) or
3 Section 203(a)(2)(D-18) of this Act.

4 (D-20) For taxable years beginning on or after
5 January 1, 2002 and ending on or before December 31,
6 2006, in the case of a distribution from a qualified
7 tuition program under Section 529 of the Internal
8 Revenue Code, other than (i) a distribution from a
9 College Savings Pool created under Section 16.5 of the
10 State Treasurer Act or (ii) a distribution from the
11 Illinois Prepaid Tuition Trust Fund, an amount equal to
12 the amount excluded from gross income under Section
13 529(c)(3)(B). For taxable years beginning on or after
14 January 1, 2007, in the case of a distribution from a
15 qualified tuition program under Section 529 of the
16 Internal Revenue Code, other than (i) a distribution
17 from a College Savings Pool created under Section 16.5
18 of the State Treasurer Act, (ii) a distribution from
19 the Illinois Prepaid Tuition Trust Fund, or (iii) a
20 distribution from a qualified tuition program under
21 Section 529 of the Internal Revenue Code that (I)
22 adopts and determines that its offering materials
23 comply with the College Savings Plans Network's
24 disclosure principles and (II) has made reasonable
25 efforts to inform in-state residents of the existence
26 of in-state qualified tuition programs by informing

1 Illinois residents directly and, where applicable, to
2 inform financial intermediaries distributing the
3 program to inform in-state residents of the existence
4 of in-state qualified tuition programs at least
5 annually, an amount equal to the amount excluded from
6 gross income under Section 529(c)(3)(B).

7 For the purposes of this subparagraph (D-20), a
8 qualified tuition program has made reasonable efforts
9 if it makes disclosures (which may use the term
10 "in-state program" or "in-state plan" and need not
11 specifically refer to Illinois or its qualified
12 programs by name) (i) directly to prospective
13 participants in its offering materials or makes a
14 public disclosure, such as a website posting; and (ii)
15 where applicable, to intermediaries selling the
16 out-of-state program in the same manner that the
17 out-of-state program distributes its offering
18 materials;

19 (D-21) For taxable years beginning on or after
20 January 1, 2007, in the case of transfer of moneys from
21 a qualified tuition program under Section 529 of the
22 Internal Revenue Code that is administered by the State
23 to an out-of-state program, an amount equal to the
24 amount of moneys previously deducted from base income
25 under subsection (a)(2)(Y) of this Section;

26 (D-22) For taxable years beginning on or after

1 January 1, 2009, in the case of a nonqualified
2 withdrawal or refund of moneys from a qualified tuition
3 program under Section 529 of the Internal Revenue Code
4 administered by the State that is not used for
5 qualified expenses at an eligible education
6 institution, an amount equal to the contribution
7 component of the nonqualified withdrawal or refund
8 that was previously deducted from base income under
9 subsection (a)(2)(y) of this Section, provided that
10 the withdrawal or refund did not result from the
11 beneficiary's death or disability;

12 (D-23) An amount equal to the credit allowable to
13 the taxpayer under Section 218(a) of this Act,
14 determined without regard to Section 218(c) of this
15 Act;

16 (D-24) For taxable years ending on or after
17 December 31, 2016, an amount equal to the deduction
18 allowed under Section 199 of the Internal Revenue Code
19 for the taxable year;

20 and by deducting from the total so obtained the sum of the
21 following amounts:

22 (E) For taxable years ending before December 31,
23 2001, any amount included in such total in respect of
24 any compensation (including but not limited to any
25 compensation paid or accrued to a serviceman while a
26 prisoner of war or missing in action) paid to a

1 resident by reason of being on active duty in the Armed
2 Forces of the United States and in respect of any
3 compensation paid or accrued to a resident who as a
4 governmental employee was a prisoner of war or missing
5 in action, and in respect of any compensation paid to a
6 resident in 1971 or thereafter for annual training
7 performed pursuant to Sections 502 and 503, Title 32,
8 United States Code as a member of the Illinois National
9 Guard or, beginning with taxable years ending on or
10 after December 31, 2007, the National Guard of any
11 other state. For taxable years ending on or after
12 December 31, 2001, any amount included in such total in
13 respect of any compensation (including but not limited
14 to any compensation paid or accrued to a serviceman
15 while a prisoner of war or missing in action) paid to a
16 resident by reason of being a member of any component
17 of the Armed Forces of the United States and in respect
18 of any compensation paid or accrued to a resident who
19 as a governmental employee was a prisoner of war or
20 missing in action, and in respect of any compensation
21 paid to a resident in 2001 or thereafter by reason of
22 being a member of the Illinois National Guard or,
23 beginning with taxable years ending on or after
24 December 31, 2007, the National Guard of any other
25 state. The provisions of this subparagraph (E) are
26 exempt from the provisions of Section 250;

1 (F) An amount equal to all amounts included in such
2 total pursuant to the provisions of Sections 402(a),
3 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
4 Internal Revenue Code, or included in such total as
5 distributions under the provisions of any retirement
6 or disability plan for employees of any governmental
7 agency or unit, or retirement payments to retired
8 partners, which payments are excluded in computing net
9 earnings from self employment by Section 1402 of the
10 Internal Revenue Code and regulations adopted pursuant
11 thereto;

12 (G) The valuation limitation amount;

13 (H) An amount equal to the amount of any tax
14 imposed by this Act which was refunded to the taxpayer
15 and included in such total for the taxable year;

16 (I) An amount equal to all amounts included in such
17 total pursuant to the provisions of Section 111 of the
18 Internal Revenue Code as a recovery of items previously
19 deducted from adjusted gross income in the computation
20 of taxable income;

21 (J) An amount equal to those dividends included in
22 such total which were paid by a corporation which
23 conducts business operations in a River Edge
24 Redevelopment Zone or zones created under the River
25 Edge Redevelopment Zone Act, and conducts
26 substantially all of its operations in a River Edge

1 Redevelopment Zone or zones. This subparagraph (J) is
2 exempt from the provisions of Section 250;

3 (K) For taxable years ending on or after December
4 31, 2016, an ~~An~~ amount equal to those dividends
5 included in such total that were paid by a corporation
6 that conducts business operations in a federally
7 designated Foreign Trade Zone or Sub-Zone and that is
8 designated a High Impact Business located in Illinois;
9 provided that dividends eligible for the deduction
10 provided in subparagraph (J) of paragraph (2) of this
11 subsection shall not be eligible for the deduction
12 provided under this subparagraph (K);

13 (L) For taxable years ending after December 31,
14 1983, an amount equal to all social security benefits
15 and railroad retirement benefits included in such
16 total pursuant to Sections 72(r) and 86 of the Internal
17 Revenue Code;

18 (M) With the exception of any amounts subtracted
19 under subparagraph (N), an amount equal to the sum of
20 all amounts disallowed as deductions by (i) Sections
21 171(a) (2), and 265(2) of the Internal Revenue Code,
22 and all amounts of expenses allocable to interest and
23 disallowed as deductions by Section 265(1) of the
24 Internal Revenue Code; and (ii) for taxable years
25 ending on or after August 13, 1999, Sections 171(a) (2),
26 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue

1 Code, plus, for taxable years ending on or after
2 December 31, 2011, Section 45G(e)(3) of the Internal
3 Revenue Code and, for taxable years ending on or after
4 December 31, 2008, any amount included in gross income
5 under Section 87 of the Internal Revenue Code; the
6 provisions of this subparagraph are exempt from the
7 provisions of Section 250;

8 (N) An amount equal to all amounts included in such
9 total which are exempt from taxation by this State
10 either by reason of its statutes or Constitution or by
11 reason of the Constitution, treaties or statutes of the
12 United States; provided that, in the case of any
13 statute of this State that exempts income derived from
14 bonds or other obligations from the tax imposed under
15 this Act, the amount exempted shall be the interest net
16 of bond premium amortization;

17 (O) An amount equal to any contribution made to a
18 job training project established pursuant to the Tax
19 Increment Allocation Redevelopment Act;

20 (P) An amount equal to the amount of the deduction
21 used to compute the federal income tax credit for
22 restoration of substantial amounts held under claim of
23 right for the taxable year pursuant to Section 1341 of
24 the Internal Revenue Code or of any itemized deduction
25 taken from adjusted gross income in the computation of
26 taxable income for restoration of substantial amounts

1 held under claim of right for the taxable year;

2 (Q) An amount equal to any amounts included in such
3 total, received by the taxpayer as an acceleration in
4 the payment of life, endowment or annuity benefits in
5 advance of the time they would otherwise be payable as
6 an indemnity for a terminal illness;

7 (R) An amount equal to the amount of any federal or
8 State bonus paid to veterans of the Persian Gulf War;

9 (S) An amount, to the extent included in adjusted
10 gross income, equal to the amount of a contribution
11 made in the taxable year on behalf of the taxpayer to a
12 medical care savings account established under the
13 Medical Care Savings Account Act or the Medical Care
14 Savings Account Act of 2000 to the extent the
15 contribution is accepted by the account administrator
16 as provided in that Act;

17 (T) An amount, to the extent included in adjusted
18 gross income, equal to the amount of interest earned in
19 the taxable year on a medical care savings account
20 established under the Medical Care Savings Account Act
21 or the Medical Care Savings Account Act of 2000 on
22 behalf of the taxpayer, other than interest added
23 pursuant to item (D-5) of this paragraph (2);

24 (U) For one taxable year beginning on or after
25 January 1, 1994, an amount equal to the total amount of
26 tax imposed and paid under subsections (a) and (b) of

1 Section 201 of this Act on grant amounts received by
2 the taxpayer under the Nursing Home Grant Assistance
3 Act during the taxpayer's taxable years 1992 and 1993;

4 (V) Beginning with tax years ending on or after
5 December 31, 1995 and ending with tax years ending on
6 or before December 31, 2004, an amount equal to the
7 amount paid by a taxpayer who is a self-employed
8 taxpayer, a partner of a partnership, or a shareholder
9 in a Subchapter S corporation for health insurance or
10 long-term care insurance for that taxpayer or that
11 taxpayer's spouse or dependents, to the extent that the
12 amount paid for that health insurance or long-term care
13 insurance may be deducted under Section 213 of the
14 Internal Revenue Code, has not been deducted on the
15 federal income tax return of the taxpayer, and does not
16 exceed the taxable income attributable to that
17 taxpayer's income, self-employment income, or
18 Subchapter S corporation income; except that no
19 deduction shall be allowed under this item (V) if the
20 taxpayer is eligible to participate in any health
21 insurance or long-term care insurance plan of an
22 employer of the taxpayer or the taxpayer's spouse. The
23 amount of the health insurance and long-term care
24 insurance subtracted under this item (V) shall be
25 determined by multiplying total health insurance and
26 long-term care insurance premiums paid by the taxpayer

1 times a number that represents the fractional
2 percentage of eligible medical expenses under Section
3 213 of the Internal Revenue Code of 1986 not actually
4 deducted on the taxpayer's federal income tax return;

5 (W) For taxable years beginning on or after January
6 1, 1998, all amounts included in the taxpayer's federal
7 gross income in the taxable year from amounts converted
8 from a regular IRA to a Roth IRA. This paragraph is
9 exempt from the provisions of Section 250;

10 (X) For taxable year 1999 and thereafter, an amount
11 equal to the amount of any (i) distributions, to the
12 extent includible in gross income for federal income
13 tax purposes, made to the taxpayer because of his or
14 her status as a victim of persecution for racial or
15 religious reasons by Nazi Germany or any other Axis
16 regime or as an heir of the victim and (ii) items of
17 income, to the extent includible in gross income for
18 federal income tax purposes, attributable to, derived
19 from or in any way related to assets stolen from,
20 hidden from, or otherwise lost to a victim of
21 persecution for racial or religious reasons by Nazi
22 Germany or any other Axis regime immediately prior to,
23 during, and immediately after World War II, including,
24 but not limited to, interest on the proceeds receivable
25 as insurance under policies issued to a victim of
26 persecution for racial or religious reasons by Nazi

1 Germany or any other Axis regime by European insurance
2 companies immediately prior to and during World War II;
3 provided, however, this subtraction from federal
4 adjusted gross income does not apply to assets acquired
5 with such assets or with the proceeds from the sale of
6 such assets; provided, further, this paragraph shall
7 only apply to a taxpayer who was the first recipient of
8 such assets after their recovery and who is a victim of
9 persecution for racial or religious reasons by Nazi
10 Germany or any other Axis regime or as an heir of the
11 victim. The amount of and the eligibility for any
12 public assistance, benefit, or similar entitlement is
13 not affected by the inclusion of items (i) and (ii) of
14 this paragraph in gross income for federal income tax
15 purposes. This paragraph is exempt from the provisions
16 of Section 250;

17 (Y) For taxable years beginning on or after January
18 1, 2002 and ending on or before December 31, 2004,
19 moneys contributed in the taxable year to a College
20 Savings Pool account under Section 16.5 of the State
21 Treasurer Act, except that amounts excluded from gross
22 income under Section 529(c)(3)(C)(i) of the Internal
23 Revenue Code shall not be considered moneys
24 contributed under this subparagraph (Y). For taxable
25 years beginning on or after January 1, 2005, a maximum
26 of \$10,000 contributed in the taxable year to (i) a

1 College Savings Pool account under Section 16.5 of the
2 State Treasurer Act or (ii) the Illinois Prepaid
3 Tuition Trust Fund, except that amounts excluded from
4 gross income under Section 529(c)(3)(C)(i) of the
5 Internal Revenue Code shall not be considered moneys
6 contributed under this subparagraph (Y). For purposes
7 of this subparagraph, contributions made by an
8 employer on behalf of an employee, or matching
9 contributions made by an employee, shall be treated as
10 made by the employee. This subparagraph (Y) is exempt
11 from the provisions of Section 250;

12 (Z) For taxable years 2001 and thereafter, for the
13 taxable year in which the bonus depreciation deduction
14 is taken on the taxpayer's federal income tax return
15 under subsection (k) of Section 168 of the Internal
16 Revenue Code and for each applicable taxable year
17 thereafter, an amount equal to "x", where:

18 (1) "y" equals the amount of the depreciation
19 deduction taken for the taxable year on the
20 taxpayer's federal income tax return on property
21 for which the bonus depreciation deduction was
22 taken in any year under subsection (k) of Section
23 168 of the Internal Revenue Code, but not including
24 the bonus depreciation deduction;

25 (2) for taxable years ending on or before
26 December 31, 2005, "x" equals "y" multiplied by 30

1 and then divided by 70 (or "y" multiplied by
2 0.429); and

3 (3) for taxable years ending after December
4 31, 2005:

5 (i) for property on which a bonus
6 depreciation deduction of 30% of the adjusted
7 basis was taken, "x" equals "y" multiplied by
8 30 and then divided by 70 (or "y" multiplied by
9 0.429); and

10 (ii) for property on which a bonus
11 depreciation deduction of 50% of the adjusted
12 basis was taken, "x" equals "y" multiplied by
13 1.0.

14 The aggregate amount deducted under this
15 subparagraph in all taxable years for any one piece of
16 property may not exceed the amount of the bonus
17 depreciation deduction taken on that property on the
18 taxpayer's federal income tax return under subsection
19 (k) of Section 168 of the Internal Revenue Code. This
20 subparagraph (Z) is exempt from the provisions of
21 Section 250;

22 (AA) If the taxpayer sells, transfers, abandons,
23 or otherwise disposes of property for which the
24 taxpayer was required in any taxable year to make an
25 addition modification under subparagraph (D-15), then
26 an amount equal to that addition modification.

1 If the taxpayer continues to own property through
2 the last day of the last tax year for which the
3 taxpayer may claim a depreciation deduction for
4 federal income tax purposes and for which the taxpayer
5 was required in any taxable year to make an addition
6 modification under subparagraph (D-15), then an amount
7 equal to that addition modification.

8 The taxpayer is allowed to take the deduction under
9 this subparagraph only once with respect to any one
10 piece of property.

11 This subparagraph (AA) is exempt from the
12 provisions of Section 250;

13 (BB) Any amount included in adjusted gross income,
14 other than salary, received by a driver in a
15 ridesharing arrangement using a motor vehicle;

16 (CC) The amount of (i) any interest income (net of
17 the deductions allocable thereto) taken into account
18 for the taxable year with respect to a transaction with
19 a taxpayer that is required to make an addition
20 modification with respect to such transaction under
21 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
22 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
23 the amount of that addition modification, and (ii) any
24 income from intangible property (net of the deductions
25 allocable thereto) taken into account for the taxable
26 year with respect to a transaction with a taxpayer that

1 is required to make an addition modification with
2 respect to such transaction under Section
3 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
4 203(d)(2)(D-8), but not to exceed the amount of that
5 addition modification. This subparagraph (CC) is
6 exempt from the provisions of Section 250;

7 (DD) An amount equal to the interest income taken
8 into account for the taxable year (net of the
9 deductions allocable thereto) with respect to
10 transactions with (i) a foreign person who would be a
11 member of the taxpayer's unitary business group but for
12 the fact that the foreign person's business activity
13 outside the United States is 80% or more of that
14 person's total business activity and (ii) for taxable
15 years ending on or after December 31, 2008, to a person
16 who would be a member of the same unitary business
17 group but for the fact that the person is prohibited
18 under Section 1501(a)(27) from being included in the
19 unitary business group because he or she is ordinarily
20 required to apportion business income under different
21 subsections of Section 304, but not to exceed the
22 addition modification required to be made for the same
23 taxable year under Section 203(a)(2)(D-17) for
24 interest paid, accrued, or incurred, directly or
25 indirectly, to the same person. This subparagraph (DD)
26 is exempt from the provisions of Section 250;

1 (EE) An amount equal to the income from intangible
2 property taken into account for the taxable year (net
3 of the deductions allocable thereto) with respect to
4 transactions with (i) a foreign person who would be a
5 member of the taxpayer's unitary business group but for
6 the fact that the foreign person's business activity
7 outside the United States is 80% or more of that
8 person's total business activity and (ii) for taxable
9 years ending on or after December 31, 2008, to a person
10 who would be a member of the same unitary business
11 group but for the fact that the person is prohibited
12 under Section 1501(a)(27) from being included in the
13 unitary business group because he or she is ordinarily
14 required to apportion business income under different
15 subsections of Section 304, but not to exceed the
16 addition modification required to be made for the same
17 taxable year under Section 203(a)(2)(D-18) for
18 intangible expenses and costs paid, accrued, or
19 incurred, directly or indirectly, to the same foreign
20 person. This subparagraph (EE) is exempt from the
21 provisions of Section 250;

22 (FF) An amount equal to any amount awarded to the
23 taxpayer during the taxable year by the Court of Claims
24 under subsection (c) of Section 8 of the Court of
25 Claims Act for time unjustly served in a State prison.
26 This subparagraph (FF) is exempt from the provisions of

1 Section 250; and

2 (GG) For taxable years ending on or after December
3 31, 2011, in the case of a taxpayer who was required to
4 add back any insurance premiums under Section
5 203(a)(2)(D-19), such taxpayer may elect to subtract
6 that part of a reimbursement received from the
7 insurance company equal to the amount of the expense or
8 loss (including expenses incurred by the insurance
9 company) that would have been taken into account as a
10 deduction for federal income tax purposes if the
11 expense or loss had been uninsured. If a taxpayer makes
12 the election provided for by this subparagraph (GG),
13 the insurer to which the premiums were paid must add
14 back to income the amount subtracted by the taxpayer
15 pursuant to this subparagraph (GG). This subparagraph
16 (GG) is exempt from the provisions of Section 250.

17 (b) Corporations.

18 (1) In general. In the case of a corporation, base
19 income means an amount equal to the taxpayer's taxable
20 income for the taxable year as modified by paragraph (2).

21 (2) Modifications. The taxable income referred to in
22 paragraph (1) shall be modified by adding thereto the sum
23 of the following amounts:

24 (A) An amount equal to all amounts paid or accrued
25 to the taxpayer as interest and all distributions

1 received from regulated investment companies during
2 the taxable year to the extent excluded from gross
3 income in the computation of taxable income;

4 (B) An amount equal to the amount of tax imposed by
5 this Act to the extent deducted from gross income in
6 the computation of taxable income for the taxable year;

7 (C) In the case of a regulated investment company,
8 an amount equal to the excess of (i) the net long-term
9 capital gain for the taxable year, over (ii) the amount
10 of the capital gain dividends designated as such in
11 accordance with Section 852(b)(3)(C) of the Internal
12 Revenue Code and any amount designated under Section
13 852(b)(3)(D) of the Internal Revenue Code,
14 attributable to the taxable year (this amendatory Act
15 of 1995 (Public Act 89-89) is declarative of existing
16 law and is not a new enactment);

17 (D) The amount of any net operating loss deduction
18 taken in arriving at taxable income, other than a net
19 operating loss carried forward from a taxable year
20 ending prior to December 31, 1986;

21 (E) For taxable years in which a net operating loss
22 carryback or carryforward from a taxable year ending
23 prior to December 31, 1986 is an element of taxable
24 income under paragraph (1) of subsection (e) or
25 subparagraph (E) of paragraph (2) of subsection (e),
26 the amount by which addition modifications other than

1 those provided by this subparagraph (E) exceeded
2 subtraction modifications in such earlier taxable
3 year, with the following limitations applied in the
4 order that they are listed:

5 (i) the addition modification relating to the
6 net operating loss carried back or forward to the
7 taxable year from any taxable year ending prior to
8 December 31, 1986 shall be reduced by the amount of
9 addition modification under this subparagraph (E)
10 which related to that net operating loss and which
11 was taken into account in calculating the base
12 income of an earlier taxable year, and

13 (ii) the addition modification relating to the
14 net operating loss carried back or forward to the
15 taxable year from any taxable year ending prior to
16 December 31, 1986 shall not exceed the amount of
17 such carryback or carryforward;

18 For taxable years in which there is a net operating
19 loss carryback or carryforward from more than one other
20 taxable year ending prior to December 31, 1986, the
21 addition modification provided in this subparagraph
22 (E) shall be the sum of the amounts computed
23 independently under the preceding provisions of this
24 subparagraph (E) for each such taxable year;

25 (E-5) For taxable years ending after December 31,
26 1997, an amount equal to any eligible remediation costs

1 that the corporation deducted in computing adjusted
2 gross income and for which the corporation claims a
3 credit under subsection (l) of Section 201;

4 (E-10) For taxable years 2001 and thereafter, an
5 amount equal to the bonus depreciation deduction taken
6 on the taxpayer's federal income tax return for the
7 taxable year under subsection (k) of Section 168 of the
8 Internal Revenue Code;

9 (E-11) If the taxpayer sells, transfers, abandons,
10 or otherwise disposes of property for which the
11 taxpayer was required in any taxable year to make an
12 addition modification under subparagraph (E-10), then
13 an amount equal to the aggregate amount of the
14 deductions taken in all taxable years under
15 subparagraph (T) with respect to that property.

16 If the taxpayer continues to own property through
17 the last day of the last tax year for which the
18 taxpayer may claim a depreciation deduction for
19 federal income tax purposes and for which the taxpayer
20 was allowed in any taxable year to make a subtraction
21 modification under subparagraph (T), then an amount
22 equal to that subtraction modification.

23 The taxpayer is required to make the addition
24 modification under this subparagraph only once with
25 respect to any one piece of property;

26 (E-12) An amount equal to the amount otherwise

1 allowed as a deduction in computing base income for
2 interest paid, accrued, or incurred, directly or
3 indirectly, (i) for taxable years ending on or after
4 December 31, 2004, to a foreign person who would be a
5 member of the same unitary business group but for the
6 fact the foreign person's business activity outside
7 the United States is 80% or more of the foreign
8 person's total business activity and (ii) for taxable
9 years ending on or after December 31, 2008, to a person
10 who would be a member of the same unitary business
11 group but for the fact that the person is prohibited
12 under Section 1501(a)(27) from being included in the
13 unitary business group because he or she is ordinarily
14 required to apportion business income under different
15 subsections of Section 304. The addition modification
16 required by this subparagraph shall be reduced to the
17 extent that dividends were included in base income of
18 the unitary group for the same taxable year and
19 received by the taxpayer or by a member of the
20 taxpayer's unitary business group (including amounts
21 included in gross income pursuant to Sections 951
22 through 964 of the Internal Revenue Code and amounts
23 included in gross income under Section 78 of the
24 Internal Revenue Code) with respect to the stock of the
25 same person to whom the interest was paid, accrued, or
26 incurred.

1 This paragraph shall not apply to the following:

2 (i) an item of interest paid, accrued, or
3 incurred, directly or indirectly, to a person who
4 is subject in a foreign country or state, other
5 than a state which requires mandatory unitary
6 reporting, to a tax on or measured by net income
7 with respect to such interest; or

8 (ii) an item of interest paid, accrued, or
9 incurred, directly or indirectly, to a person if
10 the taxpayer can establish, based on a
11 preponderance of the evidence, both of the
12 following:

13 (a) the person, during the same taxable
14 year, paid, accrued, or incurred, the interest
15 to a person that is not a related member, and

16 (b) the transaction giving rise to the
17 interest expense between the taxpayer and the
18 person did not have as a principal purpose the
19 avoidance of Illinois income tax, and is paid
20 pursuant to a contract or agreement that
21 reflects an arm's-length interest rate and
22 terms; or

23 (iii) the taxpayer can establish, based on
24 clear and convincing evidence, that the interest
25 paid, accrued, or incurred relates to a contract or
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is
2 not federal or Illinois tax avoidance; or

3 (iv) an item of interest paid, accrued, or
4 incurred, directly or indirectly, to a person if
5 the taxpayer establishes by clear and convincing
6 evidence that the adjustments are unreasonable; or
7 if the taxpayer and the Director agree in writing
8 to the application or use of an alternative method
9 of apportionment under Section 304(f).

10 Nothing in this subsection shall preclude the
11 Director from making any other adjustment
12 otherwise allowed under Section 404 of this Act for
13 any tax year beginning after the effective date of
14 this amendment provided such adjustment is made
15 pursuant to regulation adopted by the Department
16 and such regulations provide methods and standards
17 by which the Department will utilize its authority
18 under Section 404 of this Act;

19 (E-13) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

1 States is 80% or more of that person's total business
2 activity and (ii) for taxable years ending on or after
3 December 31, 2008, to a person who would be a member of
4 the same unitary business group but for the fact that
5 the person is prohibited under Section 1501(a)(27)
6 from being included in the unitary business group
7 because he or she is ordinarily required to apportion
8 business income under different subsections of Section
9 304. The addition modification required by this
10 subparagraph shall be reduced to the extent that
11 dividends were included in base income of the unitary
12 group for the same taxable year and received by the
13 taxpayer or by a member of the taxpayer's unitary
14 business group (including amounts included in gross
15 income pursuant to Sections 951 through 964 of the
16 Internal Revenue Code and amounts included in gross
17 income under Section 78 of the Internal Revenue Code)
18 with respect to the stock of the same person to whom
19 the intangible expenses and costs were directly or
20 indirectly paid, incurred, or accrued. The preceding
21 sentence shall not apply to the extent that the same
22 dividends caused a reduction to the addition
23 modification required under Section 203(b)(2)(E-12) of
24 this Act. As used in this subparagraph, the term
25 "intangible expenses and costs" includes (1) expenses,
26 losses, and costs for, or related to, the direct or

1 indirect acquisition, use, maintenance or management,
2 ownership, sale, exchange, or any other disposition of
3 intangible property; (2) losses incurred, directly or
4 indirectly, from factoring transactions or discounting
5 transactions; (3) royalty, patent, technical, and
6 copyright fees; (4) licensing fees; and (5) other
7 similar expenses and costs. For purposes of this
8 subparagraph, "intangible property" includes patents,
9 patent applications, trade names, trademarks, service
10 marks, copyrights, mask works, trade secrets, and
11 similar types of intangible assets.

12 This paragraph shall not apply to the following:

13 (i) any item of intangible expenses or costs
14 paid, accrued, or incurred, directly or
15 indirectly, from a transaction with a person who is
16 subject in a foreign country or state, other than a
17 state which requires mandatory unitary reporting,
18 to a tax on or measured by net income with respect
19 to such item; or

20 (ii) any item of intangible expense or cost
21 paid, accrued, or incurred, directly or
22 indirectly, if the taxpayer can establish, based
23 on a preponderance of the evidence, both of the
24 following:

25 (a) the person during the same taxable
26 year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is
2 not a related member, and

3 (b) the transaction giving rise to the
4 intangible expense or cost between the
5 taxpayer and the person did not have as a
6 principal purpose the avoidance of Illinois
7 income tax, and is paid pursuant to a contract
8 or agreement that reflects arm's-length terms;
9 or

10 (iii) any item of intangible expense or cost
11 paid, accrued, or incurred, directly or
12 indirectly, from a transaction with a person if the
13 taxpayer establishes by clear and convincing
14 evidence, that the adjustments are unreasonable;
15 or if the taxpayer and the Director agree in
16 writing to the application or use of an alternative
17 method of apportionment under Section 304(f);

18 Nothing in this subsection shall preclude the
19 Director from making any other adjustment
20 otherwise allowed under Section 404 of this Act for
21 any tax year beginning after the effective date of
22 this amendment provided such adjustment is made
23 pursuant to regulation adopted by the Department
24 and such regulations provide methods and standards
25 by which the Department will utilize its authority
26 under Section 404 of this Act;

1 (E-14) For taxable years ending on or after
2 December 31, 2008, an amount equal to the amount of
3 insurance premium expenses and costs otherwise allowed
4 as a deduction in computing base income, and that were
5 paid, accrued, or incurred, directly or indirectly, to
6 a person who would be a member of the same unitary
7 business group but for the fact that the person is
8 prohibited under Section 1501(a)(27) from being
9 included in the unitary business group because he or
10 she is ordinarily required to apportion business
11 income under different subsections of Section 304. The
12 addition modification required by this subparagraph
13 shall be reduced to the extent that dividends were
14 included in base income of the unitary group for the
15 same taxable year and received by the taxpayer or by a
16 member of the taxpayer's unitary business group
17 (including amounts included in gross income under
18 Sections 951 through 964 of the Internal Revenue Code
19 and amounts included in gross income under Section 78
20 of the Internal Revenue Code) with respect to the stock
21 of the same person to whom the premiums and costs were
22 directly or indirectly paid, incurred, or accrued. The
23 preceding sentence does not apply to the extent that
24 the same dividends caused a reduction to the addition
25 modification required under Section 203(b)(2)(E-12) or
26 Section 203(b)(2)(E-13) of this Act;

1 (E-15) For taxable years beginning after December
2 31, 2008, any deduction for dividends paid by a captive
3 real estate investment trust that is allowed to a real
4 estate investment trust under Section 857(b)(2)(B) of
5 the Internal Revenue Code for dividends paid;

6 (E-16) An amount equal to the credit allowable to
7 the taxpayer under Section 218(a) of this Act,
8 determined without regard to Section 218(c) of this
9 Act;

10 (E-17) For taxable years ending on or after
11 December 31, 2016, an amount equal to the deduction
12 allowed under Section 199 of the Internal Revenue Code
13 for the taxable year;

14 (E-18) For taxable years ending on or after
15 December 31, 2016, any deduction allowed to the
16 taxpayer under Sections 243 through 246A of the
17 Internal Revenue Code;

18 and by deducting from the total so obtained the sum of the
19 following amounts:

20 (F) An amount equal to the amount of any tax
21 imposed by this Act which was refunded to the taxpayer
22 and included in such total for the taxable year;

23 (G) An amount equal to any amount included in such
24 total under Section 78 of the Internal Revenue Code;

25 (H) In the case of a regulated investment company,
26 an amount equal to the amount of exempt interest

1 dividends as defined in subsection (b) (5) of Section
2 852 of the Internal Revenue Code, paid to shareholders
3 for the taxable year;

4 (I) With the exception of any amounts subtracted
5 under subparagraph (J), an amount equal to the sum of
6 all amounts disallowed as deductions by (i) Sections
7 171(a) (2), and 265(a) (2) and amounts disallowed as
8 interest expense by Section 291(a) (3) of the Internal
9 Revenue Code, and all amounts of expenses allocable to
10 interest and disallowed as deductions by Section
11 265(a) (1) of the Internal Revenue Code; and (ii) for
12 taxable years ending on or after August 13, 1999,
13 Sections 171(a) (2), 265, 280C, 291(a) (3), and
14 832(b) (5) (B) (i) of the Internal Revenue Code, plus,
15 for tax years ending on or after December 31, 2011,
16 amounts disallowed as deductions by Section 45G(e) (3)
17 of the Internal Revenue Code and, for taxable years
18 ending on or after December 31, 2008, any amount
19 included in gross income under Section 87 of the
20 Internal Revenue Code and the policyholders' share of
21 tax-exempt interest of a life insurance company under
22 Section 807(a) (2) (B) of the Internal Revenue Code (in
23 the case of a life insurance company with gross income
24 from a decrease in reserves for the tax year) or
25 Section 807(b) (1) (B) of the Internal Revenue Code (in
26 the case of a life insurance company allowed a

1 deduction for an increase in reserves for the tax
2 year); the provisions of this subparagraph are exempt
3 from the provisions of Section 250;

4 (J) An amount equal to all amounts included in such
5 total which are exempt from taxation by this State
6 either by reason of its statutes or Constitution or by
7 reason of the Constitution, treaties or statutes of the
8 United States; provided that, in the case of any
9 statute of this State that exempts income derived from
10 bonds or other obligations from the tax imposed under
11 this Act, the amount exempted shall be the interest net
12 of bond premium amortization;

13 (K) An amount equal to those dividends included in
14 such total which were paid by a corporation which
15 conducts business operations in a River Edge
16 Redevelopment Zone or zones created under the River
17 Edge Redevelopment Zone Act and conducts substantially
18 all of its operations in a River Edge Redevelopment
19 Zone or zones. This subparagraph (K) is exempt from the
20 provisions of Section 250;

21 (L) For taxable years ending on or after December
22 31, 2016, an ~~An~~ amount equal to those dividends
23 included in such total that were paid by a corporation
24 that conducts business operations in a federally
25 designated Foreign Trade Zone or Sub-Zone and that is
26 designated a High Impact Business located in Illinois;

1 provided that dividends eligible for the deduction
2 provided in subparagraph (K) of paragraph 2 of this
3 subsection shall not be eligible for the deduction
4 provided under this subparagraph (L);

5 (M) For any taxpayer that is a financial
6 organization within the meaning of Section 304(c) of
7 this Act, an amount included in such total as interest
8 income from a loan or loans made by such taxpayer to a
9 borrower, to the extent that such a loan is secured by
10 property which is eligible for the River Edge
11 Redevelopment Zone Investment Credit. To determine the
12 portion of a loan or loans that is secured by property
13 eligible for a Section 201(f) investment credit to the
14 borrower, the entire principal amount of the loan or
15 loans between the taxpayer and the borrower should be
16 divided into the basis of the Section 201(f) investment
17 credit property which secures the loan or loans, using
18 for this purpose the original basis of such property on
19 the date that it was placed in service in the River
20 Edge Redevelopment Zone. The subtraction modification
21 available to taxpayer in any year under this subsection
22 shall be that portion of the total interest paid by the
23 borrower with respect to such loan attributable to the
24 eligible property as calculated under the previous
25 sentence. This subparagraph (M) is exempt from the
26 provisions of Section 250;

1 (M-1) For any taxpayer that is a financial
2 organization within the meaning of Section 304(c) of
3 this Act, an amount included in such total as interest
4 income from a loan or loans made by such taxpayer to a
5 borrower, to the extent that such a loan is secured by
6 property which is eligible for the High Impact Business
7 Investment Credit. To determine the portion of a loan
8 or loans that is secured by property eligible for a
9 Section 201(h) investment credit to the borrower, the
10 entire principal amount of the loan or loans between
11 the taxpayer and the borrower should be divided into
12 the basis of the Section 201(h) investment credit
13 property which secures the loan or loans, using for
14 this purpose the original basis of such property on the
15 date that it was placed in service in a federally
16 designated Foreign Trade Zone or Sub-Zone located in
17 Illinois. No taxpayer that is eligible for the
18 deduction provided in subparagraph (M) of paragraph
19 (2) of this subsection shall be eligible for the
20 deduction provided under this subparagraph (M-1). The
21 subtraction modification available to taxpayers in any
22 year under this subsection shall be that portion of the
23 total interest paid by the borrower with respect to
24 such loan attributable to the eligible property as
25 calculated under the previous sentence;

26 (N) Two times any contribution made during the

1 taxable year to a designated zone organization to the
2 extent that the contribution (i) qualifies as a
3 charitable contribution under subsection (c) of
4 Section 170 of the Internal Revenue Code and (ii) must,
5 by its terms, be used for a project approved by the
6 Department of Commerce and Economic Opportunity under
7 Section 11 of the Illinois Enterprise Zone Act or under
8 Section 10-10 of the River Edge Redevelopment Zone Act.
9 This subparagraph (N) is exempt from the provisions of
10 Section 250;

11 (O) An amount equal to: (i) 85% for taxable years
12 ending on or before December 31, 1992, or, a percentage
13 equal to the percentage allowable under Section
14 243(a)(1) of the Internal Revenue Code of 1986 for
15 taxable years ending after December 31, 1992, of the
16 amount by which dividends included in taxable income
17 and received from a corporation that is not created or
18 organized under the laws of the United States or any
19 state or political subdivision thereof, including, for
20 taxable years ending on or after December 31, 1988,
21 dividends received or deemed received or paid or deemed
22 paid under Sections 951 through 965 of the Internal
23 Revenue Code, exceed the amount of the modification
24 provided under subparagraph (G) of paragraph (2) of
25 this subsection (b) which is related to such dividends,
26 and including, for taxable years ending on or after

1 December 31, 2008, dividends received from a captive
2 real estate investment trust; plus (ii) 100% of the
3 amount by which dividends, included in taxable income
4 and received, including, for taxable years ending on or
5 after December 31, 1988, dividends received or deemed
6 received or paid or deemed paid under Sections 951
7 through 964 of the Internal Revenue Code and including,
8 for taxable years ending on or after December 31, 2008,
9 dividends received from a captive real estate
10 investment trust, from any such corporation specified
11 in clause (i) that would but for the provisions of
12 Section 1504 (b) (3) of the Internal Revenue Code be
13 treated as a member of the affiliated group which
14 includes the dividend recipient, exceed the amount of
15 the modification provided under subparagraph (G) of
16 paragraph (2) of this subsection (b) which is related
17 to such dividends. This subparagraph (O) shall not
18 apply to taxable years ending on or after December 31,
19 2016 is exempt from the provisions of Section 250 of
20 this Act;

21 (P) An amount equal to any contribution made to a
22 job training project established pursuant to the Tax
23 Increment Allocation Redevelopment Act;

24 (Q) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

3 (R) On and after July 20, 1999, in the case of an
4 attorney-in-fact with respect to whom an interinsurer
5 or a reciprocal insurer has made the election under
6 Section 835 of the Internal Revenue Code, 26 U.S.C.
7 835, an amount equal to the excess, if any, of the
8 amounts paid or incurred by that interinsurer or
9 reciprocal insurer in the taxable year to the
10 attorney-in-fact over the deduction allowed to that
11 interinsurer or reciprocal insurer with respect to the
12 attorney-in-fact under Section 835(b) of the Internal
13 Revenue Code for the taxable year; the provisions of
14 this subparagraph are exempt from the provisions of
15 Section 250;

16 (S) For taxable years ending on or after December
17 31, 1997, in the case of a Subchapter S corporation, an
18 amount equal to all amounts of income allocable to a
19 shareholder subject to the Personal Property Tax
20 Replacement Income Tax imposed by subsections (c) and
21 (d) of Section 201 of this Act, including amounts
22 allocable to organizations exempt from federal income
23 tax by reason of Section 501(a) of the Internal Revenue
24 Code. This subparagraph (S) is exempt from the
25 provisions of Section 250;

26 (T) For taxable years 2001 and thereafter, for the

1 taxable year in which the bonus depreciation deduction
2 is taken on the taxpayer's federal income tax return
3 under subsection (k) of Section 168 of the Internal
4 Revenue Code and for each applicable taxable year
5 thereafter, an amount equal to "x", where:

6 (1) "y" equals the amount of the depreciation
7 deduction taken for the taxable year on the
8 taxpayer's federal income tax return on property
9 for which the bonus depreciation deduction was
10 taken in any year under subsection (k) of Section
11 168 of the Internal Revenue Code, but not including
12 the bonus depreciation deduction;

13 (2) for taxable years ending on or before
14 December 31, 2005, "x" equals "y" multiplied by 30
15 and then divided by 70 (or "y" multiplied by
16 0.429); ~~and~~

17 (3) for taxable years ending after December
18 31, 2005:

19 (i) for property on which a bonus
20 depreciation deduction of 30% of the adjusted
21 basis was taken, "x" equals "y" multiplied by
22 30 and then divided by 70 (or "y" multiplied by
23 0.429); and

24 (ii) for property on which a bonus
25 depreciation deduction of 50% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 1.0.

2 The aggregate amount deducted under this
3 subparagraph in all taxable years for any one piece of
4 property may not exceed the amount of the bonus
5 depreciation deduction taken on that property on the
6 taxpayer's federal income tax return under subsection
7 (k) of Section 168 of the Internal Revenue Code. This
8 subparagraph (T) is exempt from the provisions of
9 Section 250;

10 (U) If the taxpayer sells, transfers, abandons, or
11 otherwise disposes of property for which the taxpayer
12 was required in any taxable year to make an addition
13 modification under subparagraph (E-10), then an amount
14 equal to that addition modification.

15 If the taxpayer continues to own property through
16 the last day of the last tax year for which the
17 taxpayer may claim a depreciation deduction for
18 federal income tax purposes and for which the taxpayer
19 was required in any taxable year to make an addition
20 modification under subparagraph (E-10), then an amount
21 equal to that addition modification.

22 The taxpayer is allowed to take the deduction under
23 this subparagraph only once with respect to any one
24 piece of property.

25 This subparagraph (U) is exempt from the
26 provisions of Section 250;

1 (V) The amount of: (i) any interest income (net of
2 the deductions allocable thereto) taken into account
3 for the taxable year with respect to a transaction with
4 a taxpayer that is required to make an addition
5 modification with respect to such transaction under
6 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
7 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
8 the amount of such addition modification, (ii) any
9 income from intangible property (net of the deductions
10 allocable thereto) taken into account for the taxable
11 year with respect to a transaction with a taxpayer that
12 is required to make an addition modification with
13 respect to such transaction under Section
14 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
15 203(d)(2)(D-8), but not to exceed the amount of such
16 addition modification, and (iii) any insurance premium
17 income (net of deductions allocable thereto) taken
18 into account for the taxable year with respect to a
19 transaction with a taxpayer that is required to make an
20 addition modification with respect to such transaction
21 under Section 203(a)(2)(D-19), Section
22 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
23 203(d)(2)(D-9), but not to exceed the amount of that
24 addition modification. This subparagraph (V) is exempt
25 from the provisions of Section 250;

26 (W) An amount equal to the interest income taken

1 into account for the taxable year (net of the
2 deductions allocable thereto) with respect to
3 transactions with (i) a foreign person who would be a
4 member of the taxpayer's unitary business group but for
5 the fact that the foreign person's business activity
6 outside the United States is 80% or more of that
7 person's total business activity and (ii) for taxable
8 years ending on or after December 31, 2008, to a person
9 who would be a member of the same unitary business
10 group but for the fact that the person is prohibited
11 under Section 1501(a)(27) from being included in the
12 unitary business group because he or she is ordinarily
13 required to apportion business income under different
14 subsections of Section 304, but not to exceed the
15 addition modification required to be made for the same
16 taxable year under Section 203(b)(2)(E-12) for
17 interest paid, accrued, or incurred, directly or
18 indirectly, to the same person. This subparagraph (W)
19 is exempt from the provisions of Section 250;

20 (X) An amount equal to the income from intangible
21 property taken into account for the taxable year (net
22 of the deductions allocable thereto) with respect to
23 transactions with (i) a foreign person who would be a
24 member of the taxpayer's unitary business group but for
25 the fact that the foreign person's business activity
26 outside the United States is 80% or more of that

1 person's total business activity and (ii) for taxable
2 years ending on or after December 31, 2008, to a person
3 who would be a member of the same unitary business
4 group but for the fact that the person is prohibited
5 under Section 1501(a)(27) from being included in the
6 unitary business group because he or she is ordinarily
7 required to apportion business income under different
8 subsections of Section 304, but not to exceed the
9 addition modification required to be made for the same
10 taxable year under Section 203(b)(2)(E-13) for
11 intangible expenses and costs paid, accrued, or
12 incurred, directly or indirectly, to the same foreign
13 person. This subparagraph (X) is exempt from the
14 provisions of Section 250;

15 (Y) For taxable years ending on or after December
16 31, 2011, in the case of a taxpayer who was required to
17 add back any insurance premiums under Section
18 203(b)(2)(E-14), such taxpayer may elect to subtract
19 that part of a reimbursement received from the
20 insurance company equal to the amount of the expense or
21 loss (including expenses incurred by the insurance
22 company) that would have been taken into account as a
23 deduction for federal income tax purposes if the
24 expense or loss had been uninsured. If a taxpayer makes
25 the election provided for by this subparagraph (Y), the
26 insurer to which the premiums were paid must add back

1 to income the amount subtracted by the taxpayer
2 pursuant to this subparagraph (Y). This subparagraph
3 (Y) is exempt from the provisions of Section 250; and

4 (Z) The difference between the nondeductible
5 controlled foreign corporation dividends under Section
6 965(e) (3) of the Internal Revenue Code over the taxable
7 income of the taxpayer, computed without regard to
8 Section 965(e) (2) (A) of the Internal Revenue Code, and
9 without regard to any net operating loss deduction.
10 This subparagraph (Z) is exempt from the provisions of
11 Section 250.

12 (3) Special rule. For purposes of paragraph (2) (A),
13 "gross income" in the case of a life insurance company, for
14 tax years ending on and after December 31, 1994, and prior
15 to December 31, 2011, shall mean the gross investment
16 income for the taxable year and, for tax years ending on or
17 after December 31, 2011, shall mean all amounts included in
18 life insurance gross income under Section 803(a) (3) of the
19 Internal Revenue Code.

20 (c) Trusts and estates.

21 (1) In general. In the case of a trust or estate, base
22 income means an amount equal to the taxpayer's taxable
23 income for the taxable year as modified by paragraph (2).

24 (2) Modifications. Subject to the provisions of
25 paragraph (3), the taxable income referred to in paragraph

1 (1) shall be modified by adding thereto the sum of the
2 following amounts:

3 (A) An amount equal to all amounts paid or accrued
4 to the taxpayer as interest or dividends during the
5 taxable year to the extent excluded from gross income
6 in the computation of taxable income;

7 (B) In the case of (i) an estate, \$600; (ii) a
8 trust which, under its governing instrument, is
9 required to distribute all of its income currently,
10 \$300; and (iii) any other trust, \$100, but in each such
11 case, only to the extent such amount was deducted in
12 the computation of taxable income;

13 (C) An amount equal to the amount of tax imposed by
14 this Act to the extent deducted from gross income in
15 the computation of taxable income for the taxable year;

16 (D) The amount of any net operating loss deduction
17 taken in arriving at taxable income, other than a net
18 operating loss carried forward from a taxable year
19 ending prior to December 31, 1986;

20 (E) For taxable years in which a net operating loss
21 carryback or carryforward from a taxable year ending
22 prior to December 31, 1986 is an element of taxable
23 income under paragraph (1) of subsection (e) or
24 subparagraph (E) of paragraph (2) of subsection (e),
25 the amount by which addition modifications other than
26 those provided by this subparagraph (E) exceeded

1 subtraction modifications in such taxable year, with
2 the following limitations applied in the order that
3 they are listed:

4 (i) the addition modification relating to the
5 net operating loss carried back or forward to the
6 taxable year from any taxable year ending prior to
7 December 31, 1986 shall be reduced by the amount of
8 addition modification under this subparagraph (E)
9 which related to that net operating loss and which
10 was taken into account in calculating the base
11 income of an earlier taxable year, and

12 (ii) the addition modification relating to the
13 net operating loss carried back or forward to the
14 taxable year from any taxable year ending prior to
15 December 31, 1986 shall not exceed the amount of
16 such carryback or carryforward;

17 For taxable years in which there is a net operating
18 loss carryback or carryforward from more than one other
19 taxable year ending prior to December 31, 1986, the
20 addition modification provided in this subparagraph
21 (E) shall be the sum of the amounts computed
22 independently under the preceding provisions of this
23 subparagraph (E) for each such taxable year;

24 (F) For taxable years ending on or after January 1,
25 1989, an amount equal to the tax deducted pursuant to
26 Section 164 of the Internal Revenue Code if the trust

1 or estate is claiming the same tax for purposes of the
2 Illinois foreign tax credit under Section 601 of this
3 Act;

4 (G) An amount equal to the amount of the capital
5 gain deduction allowable under the Internal Revenue
6 Code, to the extent deducted from gross income in the
7 computation of taxable income;

8 (G-5) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation costs
10 that the trust or estate deducted in computing adjusted
11 gross income and for which the trust or estate claims a
12 credit under subsection (l) of Section 201;

13 (G-10) For taxable years 2001 and thereafter, an
14 amount equal to the bonus depreciation deduction taken
15 on the taxpayer's federal income tax return for the
16 taxable year under subsection (k) of Section 168 of the
17 Internal Revenue Code; and

18 (G-11) If the taxpayer sells, transfers, abandons,
19 or otherwise disposes of property for which the
20 taxpayer was required in any taxable year to make an
21 addition modification under subparagraph (G-10), then
22 an amount equal to the aggregate amount of the
23 deductions taken in all taxable years under
24 subparagraph (R) with respect to that property.

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was allowed in any taxable year to make a subtraction
4 modification under subparagraph (R), then an amount
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition
7 modification under this subparagraph only once with
8 respect to any one piece of property;

9 (G-12) An amount equal to the amount otherwise
10 allowed as a deduction in computing base income for
11 interest paid, accrued, or incurred, directly or
12 indirectly, (i) for taxable years ending on or after
13 December 31, 2004, to a foreign person who would be a
14 member of the same unitary business group but for the
15 fact that the foreign person's business activity
16 outside the United States is 80% or more of the foreign
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304. The addition modification
25 required by this subparagraph shall be reduced to the
26 extent that dividends were included in base income of

1 the unitary group for the same taxable year and
2 received by the taxpayer or by a member of the
3 taxpayer's unitary business group (including amounts
4 included in gross income pursuant to Sections 951
5 through 964 of the Internal Revenue Code and amounts
6 included in gross income under Section 78 of the
7 Internal Revenue Code) with respect to the stock of the
8 same person to whom the interest was paid, accrued, or
9 incurred.

10 This paragraph shall not apply to the following:

11 (i) an item of interest paid, accrued, or
12 incurred, directly or indirectly, to a person who
13 is subject in a foreign country or state, other
14 than a state which requires mandatory unitary
15 reporting, to a tax on or measured by net income
16 with respect to such interest; or

17 (ii) an item of interest paid, accrued, or
18 incurred, directly or indirectly, to a person if
19 the taxpayer can establish, based on a
20 preponderance of the evidence, both of the
21 following:

22 (a) the person, during the same taxable
23 year, paid, accrued, or incurred, the interest
24 to a person that is not a related member, and

25 (b) the transaction giving rise to the
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the
2 avoidance of Illinois income tax, and is paid
3 pursuant to a contract or agreement that
4 reflects an arm's-length interest rate and
5 terms; or

6 (iii) the taxpayer can establish, based on
7 clear and convincing evidence, that the interest
8 paid, accrued, or incurred relates to a contract or
9 agreement entered into at arm's-length rates and
10 terms and the principal purpose for the payment is
11 not federal or Illinois tax avoidance; or

12 (iv) an item of interest paid, accrued, or
13 incurred, directly or indirectly, to a person if
14 the taxpayer establishes by clear and convincing
15 evidence that the adjustments are unreasonable; or
16 if the taxpayer and the Director agree in writing
17 to the application or use of an alternative method
18 of apportionment under Section 304(f).

19 Nothing in this subsection shall preclude the
20 Director from making any other adjustment
21 otherwise allowed under Section 404 of this Act for
22 any tax year beginning after the effective date of
23 this amendment provided such adjustment is made
24 pursuant to regulation adopted by the Department
25 and such regulations provide methods and standards
26 by which the Department will utilize its authority

1 under Section 404 of this Act;

2 (G-13) An amount equal to the amount of intangible
3 expenses and costs otherwise allowed as a deduction in
4 computing base income, and that were paid, accrued, or
5 incurred, directly or indirectly, (i) for taxable
6 years ending on or after December 31, 2004, to a
7 foreign person who would be a member of the same
8 unitary business group but for the fact that the
9 foreign person's business activity outside the United
10 States is 80% or more of that person's total business
11 activity and (ii) for taxable years ending on or after
12 December 31, 2008, to a person who would be a member of
13 the same unitary business group but for the fact that
14 the person is prohibited under Section 1501(a)(27)
15 from being included in the unitary business group
16 because he or she is ordinarily required to apportion
17 business income under different subsections of Section
18 304. The addition modification required by this
19 subparagraph shall be reduced to the extent that
20 dividends were included in base income of the unitary
21 group for the same taxable year and received by the
22 taxpayer or by a member of the taxpayer's unitary
23 business group (including amounts included in gross
24 income pursuant to Sections 951 through 964 of the
25 Internal Revenue Code and amounts included in gross
26 income under Section 78 of the Internal Revenue Code)

1 with respect to the stock of the same person to whom
2 the intangible expenses and costs were directly or
3 indirectly paid, incurred, or accrued. The preceding
4 sentence shall not apply to the extent that the same
5 dividends caused a reduction to the addition
6 modification required under Section 203(c)(2)(G-12) of
7 this Act. As used in this subparagraph, the term
8 "intangible expenses and costs" includes: (1)
9 expenses, losses, and costs for or related to the
10 direct or indirect acquisition, use, maintenance or
11 management, ownership, sale, exchange, or any other
12 disposition of intangible property; (2) losses
13 incurred, directly or indirectly, from factoring
14 transactions or discounting transactions; (3) royalty,
15 patent, technical, and copyright fees; (4) licensing
16 fees; and (5) other similar expenses and costs. For
17 purposes of this subparagraph, "intangible property"
18 includes patents, patent applications, trade names,
19 trademarks, service marks, copyrights, mask works,
20 trade secrets, and similar types of intangible assets.

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person who is
25 subject in a foreign country or state, other than a
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect
2 to such item; or

3 (ii) any item of intangible expense or cost
4 paid, accrued, or incurred, directly or
5 indirectly, if the taxpayer can establish, based
6 on a preponderance of the evidence, both of the
7 following:

8 (a) the person during the same taxable
9 year paid, accrued, or incurred, the
10 intangible expense or cost to a person that is
11 not a related member, and

12 (b) the transaction giving rise to the
13 intangible expense or cost between the
14 taxpayer and the person did not have as a
15 principal purpose the avoidance of Illinois
16 income tax, and is paid pursuant to a contract
17 or agreement that reflects arm's-length terms;
18 or

19 (iii) any item of intangible expense or cost
20 paid, accrued, or incurred, directly or
21 indirectly, from a transaction with a person if the
22 taxpayer establishes by clear and convincing
23 evidence, that the adjustments are unreasonable;
24 or if the taxpayer and the Director agree in
25 writing to the application or use of an alternative
26 method of apportionment under Section 304(f);

1 Nothing in this subsection shall preclude the
2 Director from making any other adjustment
3 otherwise allowed under Section 404 of this Act for
4 any tax year beginning after the effective date of
5 this amendment provided such adjustment is made
6 pursuant to regulation adopted by the Department
7 and such regulations provide methods and standards
8 by which the Department will utilize its authority
9 under Section 404 of this Act;

10 (G-14) For taxable years ending on or after
11 December 31, 2008, an amount equal to the amount of
12 insurance premium expenses and costs otherwise allowed
13 as a deduction in computing base income, and that were
14 paid, accrued, or incurred, directly or indirectly, to
15 a person who would be a member of the same unitary
16 business group but for the fact that the person is
17 prohibited under Section 1501(a)(27) from being
18 included in the unitary business group because he or
19 she is ordinarily required to apportion business
20 income under different subsections of Section 304. The
21 addition modification required by this subparagraph
22 shall be reduced to the extent that dividends were
23 included in base income of the unitary group for the
24 same taxable year and received by the taxpayer or by a
25 member of the taxpayer's unitary business group
26 (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the premiums and costs were
5 directly or indirectly paid, incurred, or accrued. The
6 preceding sentence does not apply to the extent that
7 the same dividends caused a reduction to the addition
8 modification required under Section 203(c) (2) (G-12) or
9 Section 203(c) (2) (G-13) of this Act;

10 (G-15) An amount equal to the credit allowable to
11 the taxpayer under Section 218(a) of this Act,
12 determined without regard to Section 218(c) of this
13 Act;

14 (G-16) For taxable years ending on or after
15 December 31, 2016, an amount equal to the deduction
16 allowed under Section 199 of the Internal Revenue Code
17 for the taxable year;

18 and by deducting from the total so obtained the sum of the
19 following amounts:

20 (H) An amount equal to all amounts included in such
21 total pursuant to the provisions of Sections 402(a),
22 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
23 Internal Revenue Code or included in such total as
24 distributions under the provisions of any retirement
25 or disability plan for employees of any governmental
26 agency or unit, or retirement payments to retired

1 partners, which payments are excluded in computing net
2 earnings from self employment by Section 1402 of the
3 Internal Revenue Code and regulations adopted pursuant
4 thereto;

5 (I) The valuation limitation amount;

6 (J) An amount equal to the amount of any tax
7 imposed by this Act which was refunded to the taxpayer
8 and included in such total for the taxable year;

9 (K) An amount equal to all amounts included in
10 taxable income as modified by subparagraphs (A), (B),
11 (C), (D), (E), (F) and (G) which are exempt from
12 taxation by this State either by reason of its statutes
13 or Constitution or by reason of the Constitution,
14 treaties or statutes of the United States; provided
15 that, in the case of any statute of this State that
16 exempts income derived from bonds or other obligations
17 from the tax imposed under this Act, the amount
18 exempted shall be the interest net of bond premium
19 amortization;

20 (L) With the exception of any amounts subtracted
21 under subparagraph (K), an amount equal to the sum of
22 all amounts disallowed as deductions by (i) Sections
23 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
24 and all amounts of expenses allocable to interest and
25 disallowed as deductions by Section 265(1) of the
26 Internal Revenue Code; and (ii) for taxable years

1 ending on or after August 13, 1999, Sections 171(a)(2),
2 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
3 Code, plus, (iii) for taxable years ending on or after
4 December 31, 2011, Section 45G(e)(3) of the Internal
5 Revenue Code and, for taxable years ending on or after
6 December 31, 2008, any amount included in gross income
7 under Section 87 of the Internal Revenue Code; the
8 provisions of this subparagraph are exempt from the
9 provisions of Section 250;

10 (M) An amount equal to those dividends included in
11 such total which were paid by a corporation which
12 conducts business operations in a River Edge
13 Redevelopment Zone or zones created under the River
14 Edge Redevelopment Zone Act and conducts substantially
15 all of its operations in a River Edge Redevelopment
16 Zone or zones. This subparagraph (M) is exempt from the
17 provisions of Section 250;

18 (N) An amount equal to any contribution made to a
19 job training project established pursuant to the Tax
20 Increment Allocation Redevelopment Act;

21 (O) For taxable years ending on or after December
22 31, 2016, an ~~An~~ amount equal to those dividends
23 included in such total that were paid by a corporation
24 that conducts business operations in a federally
25 designated Foreign Trade Zone or Sub-Zone and that is
26 designated a High Impact Business located in Illinois;

1 provided that dividends eligible for the deduction
2 provided in subparagraph (M) of paragraph (2) of this
3 subsection shall not be eligible for the deduction
4 provided under this subparagraph (O);

5 (P) An amount equal to the amount of the deduction
6 used to compute the federal income tax credit for
7 restoration of substantial amounts held under claim of
8 right for the taxable year pursuant to Section 1341 of
9 the Internal Revenue Code;

10 (Q) For taxable year 1999 and thereafter, an amount
11 equal to the amount of any (i) distributions, to the
12 extent includible in gross income for federal income
13 tax purposes, made to the taxpayer because of his or
14 her status as a victim of persecution for racial or
15 religious reasons by Nazi Germany or any other Axis
16 regime or as an heir of the victim and (ii) items of
17 income, to the extent includible in gross income for
18 federal income tax purposes, attributable to, derived
19 from or in any way related to assets stolen from,
20 hidden from, or otherwise lost to a victim of
21 persecution for racial or religious reasons by Nazi
22 Germany or any other Axis regime immediately prior to,
23 during, and immediately after World War II, including,
24 but not limited to, interest on the proceeds receivable
25 as insurance under policies issued to a victim of
26 persecution for racial or religious reasons by Nazi

1 Germany or any other Axis regime by European insurance
2 companies immediately prior to and during World War II;
3 provided, however, this subtraction from federal
4 adjusted gross income does not apply to assets acquired
5 with such assets or with the proceeds from the sale of
6 such assets; provided, further, this paragraph shall
7 only apply to a taxpayer who was the first recipient of
8 such assets after their recovery and who is a victim of
9 persecution for racial or religious reasons by Nazi
10 Germany or any other Axis regime or as an heir of the
11 victim. The amount of and the eligibility for any
12 public assistance, benefit, or similar entitlement is
13 not affected by the inclusion of items (i) and (ii) of
14 this paragraph in gross income for federal income tax
15 purposes. This paragraph is exempt from the provisions
16 of Section 250;

17 (R) For taxable years 2001 and thereafter, for the
18 taxable year in which the bonus depreciation deduction
19 is taken on the taxpayer's federal income tax return
20 under subsection (k) of Section 168 of the Internal
21 Revenue Code and for each applicable taxable year
22 thereafter, an amount equal to "x", where:

23 (1) "y" equals the amount of the depreciation
24 deduction taken for the taxable year on the
25 taxpayer's federal income tax return on property
26 for which the bonus depreciation deduction was

1 taken in any year under subsection (k) of Section
2 168 of the Internal Revenue Code, but not including
3 the bonus depreciation deduction;

4 (2) for taxable years ending on or before
5 December 31, 2005, "x" equals "y" multiplied by 30
6 and then divided by 70 (or "y" multiplied by
7 0.429); ~~and~~

8 (3) for taxable years ending after December
9 31, 2005:

10 (i) for property on which a bonus
11 depreciation deduction of 30% of the adjusted
12 basis was taken, "x" equals "y" multiplied by
13 30 and then divided by 70 (or "y" multiplied by
14 0.429); and

15 (ii) for property on which a bonus
16 depreciation deduction of 50% of the adjusted
17 basis was taken, "x" equals "y" multiplied by
18 1.0.

19 The aggregate amount deducted under this
20 subparagraph in all taxable years for any one piece of
21 property may not exceed the amount of the bonus
22 depreciation deduction taken on that property on the
23 taxpayer's federal income tax return under subsection
24 (k) of Section 168 of the Internal Revenue Code. This
25 subparagraph (R) is exempt from the provisions of
26 Section 250;

1 (S) If the taxpayer sells, transfers, abandons, or
2 otherwise disposes of property for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (G-10), then an amount
5 equal to that addition modification.

6 If the taxpayer continues to own property through
7 the last day of the last tax year for which the
8 taxpayer may claim a depreciation deduction for
9 federal income tax purposes and for which the taxpayer
10 was required in any taxable year to make an addition
11 modification under subparagraph (G-10), then an amount
12 equal to that addition modification.

13 The taxpayer is allowed to take the deduction under
14 this subparagraph only once with respect to any one
15 piece of property.

16 This subparagraph (S) is exempt from the
17 provisions of Section 250;

18 (T) The amount of (i) any interest income (net of
19 the deductions allocable thereto) taken into account
20 for the taxable year with respect to a transaction with
21 a taxpayer that is required to make an addition
22 modification with respect to such transaction under
23 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
24 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
25 the amount of such addition modification and (ii) any
26 income from intangible property (net of the deductions

1 allocable thereto) taken into account for the taxable
2 year with respect to a transaction with a taxpayer that
3 is required to make an addition modification with
4 respect to such transaction under Section
5 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
6 203(d)(2)(D-8), but not to exceed the amount of such
7 addition modification. This subparagraph (T) is exempt
8 from the provisions of Section 250;

9 (U) An amount equal to the interest income taken
10 into account for the taxable year (net of the
11 deductions allocable thereto) with respect to
12 transactions with (i) a foreign person who would be a
13 member of the taxpayer's unitary business group but for
14 the fact the foreign person's business activity
15 outside the United States is 80% or more of that
16 person's total business activity and (ii) for taxable
17 years ending on or after December 31, 2008, to a person
18 who would be a member of the same unitary business
19 group but for the fact that the person is prohibited
20 under Section 1501(a)(27) from being included in the
21 unitary business group because he or she is ordinarily
22 required to apportion business income under different
23 subsections of Section 304, but not to exceed the
24 addition modification required to be made for the same
25 taxable year under Section 203(c)(2)(G-12) for
26 interest paid, accrued, or incurred, directly or

1 indirectly, to the same person. This subparagraph (U)
2 is exempt from the provisions of Section 250;

3 (V) An amount equal to the income from intangible
4 property taken into account for the taxable year (net
5 of the deductions allocable thereto) with respect to
6 transactions with (i) a foreign person who would be a
7 member of the taxpayer's unitary business group but for
8 the fact that the foreign person's business activity
9 outside the United States is 80% or more of that
10 person's total business activity and (ii) for taxable
11 years ending on or after December 31, 2008, to a person
12 who would be a member of the same unitary business
13 group but for the fact that the person is prohibited
14 under Section 1501(a)(27) from being included in the
15 unitary business group because he or she is ordinarily
16 required to apportion business income under different
17 subsections of Section 304, but not to exceed the
18 addition modification required to be made for the same
19 taxable year under Section 203(c)(2)(G-13) for
20 intangible expenses and costs paid, accrued, or
21 incurred, directly or indirectly, to the same foreign
22 person. This subparagraph (V) is exempt from the
23 provisions of Section 250;

24 (W) in the case of an estate, an amount equal to
25 all amounts included in such total pursuant to the
26 provisions of Section 111 of the Internal Revenue Code

1 as a recovery of items previously deducted by the
2 decedent from adjusted gross income in the computation
3 of taxable income. This subparagraph (W) is exempt from
4 Section 250;

5 (X) an amount equal to the refund included in such
6 total of any tax deducted for federal income tax
7 purposes, to the extent that deduction was added back
8 under subparagraph (F). This subparagraph (X) is
9 exempt from the provisions of Section 250; and

10 (Y) For taxable years ending on or after December
11 31, 2011, in the case of a taxpayer who was required to
12 add back any insurance premiums under Section
13 203(c)(2)(G-14), such taxpayer may elect to subtract
14 that part of a reimbursement received from the
15 insurance company equal to the amount of the expense or
16 loss (including expenses incurred by the insurance
17 company) that would have been taken into account as a
18 deduction for federal income tax purposes if the
19 expense or loss had been uninsured. If a taxpayer makes
20 the election provided for by this subparagraph (Y), the
21 insurer to which the premiums were paid must add back
22 to income the amount subtracted by the taxpayer
23 pursuant to this subparagraph (Y). This subparagraph
24 (Y) is exempt from the provisions of Section 250.

25 (3) Limitation. The amount of any modification
26 otherwise required under this subsection shall, under

1 regulations prescribed by the Department, be adjusted by
2 any amounts included therein which were properly paid,
3 credited, or required to be distributed, or permanently set
4 aside for charitable purposes pursuant to Internal Revenue
5 Code Section 642(c) during the taxable year.

6 (d) Partnerships.

7 (1) In general. In the case of a partnership, base
8 income means an amount equal to the taxpayer's taxable
9 income for the taxable year as modified by paragraph (2).

10 (2) Modifications. The taxable income referred to in
11 paragraph (1) shall be modified by adding thereto the sum
12 of the following amounts:

13 (A) An amount equal to all amounts paid or accrued
14 to the taxpayer as interest or dividends during the
15 taxable year to the extent excluded from gross income
16 in the computation of taxable income;

17 (B) An amount equal to the amount of tax imposed by
18 this Act to the extent deducted from gross income for
19 the taxable year;

20 (C) The amount of deductions allowed to the
21 partnership pursuant to Section 707 (c) of the Internal
22 Revenue Code in calculating its taxable income;

23 (D) An amount equal to the amount of the capital
24 gain deduction allowable under the Internal Revenue
25 Code, to the extent deducted from gross income in the

1 computation of taxable income;

2 (D-5) For taxable years 2001 and thereafter, an
3 amount equal to the bonus depreciation deduction taken
4 on the taxpayer's federal income tax return for the
5 taxable year under subsection (k) of Section 168 of the
6 Internal Revenue Code;

7 (D-6) If the taxpayer sells, transfers, abandons,
8 or otherwise disposes of property for which the
9 taxpayer was required in any taxable year to make an
10 addition modification under subparagraph (D-5), then
11 an amount equal to the aggregate amount of the
12 deductions taken in all taxable years under
13 subparagraph (O) with respect to that property.

14 If the taxpayer continues to own property through
15 the last day of the last tax year for which the
16 taxpayer may claim a depreciation deduction for
17 federal income tax purposes and for which the taxpayer
18 was allowed in any taxable year to make a subtraction
19 modification under subparagraph (O), then an amount
20 equal to that subtraction modification.

21 The taxpayer is required to make the addition
22 modification under this subparagraph only once with
23 respect to any one piece of property;

24 (D-7) An amount equal to the amount otherwise
25 allowed as a deduction in computing base income for
26 interest paid, accrued, or incurred, directly or

1 indirectly, (i) for taxable years ending on or after
2 December 31, 2004, to a foreign person who would be a
3 member of the same unitary business group but for the
4 fact the foreign person's business activity outside
5 the United States is 80% or more of the foreign
6 person's total business activity and (ii) for taxable
7 years ending on or after December 31, 2008, to a person
8 who would be a member of the same unitary business
9 group but for the fact that the person is prohibited
10 under Section 1501(a)(27) from being included in the
11 unitary business group because he or she is ordinarily
12 required to apportion business income under different
13 subsections of Section 304. The addition modification
14 required by this subparagraph shall be reduced to the
15 extent that dividends were included in base income of
16 the unitary group for the same taxable year and
17 received by the taxpayer or by a member of the
18 taxpayer's unitary business group (including amounts
19 included in gross income pursuant to Sections 951
20 through 964 of the Internal Revenue Code and amounts
21 included in gross income under Section 78 of the
22 Internal Revenue Code) with respect to the stock of the
23 same person to whom the interest was paid, accrued, or
24 incurred.

25 This paragraph shall not apply to the following:

26 (i) an item of interest paid, accrued, or

1 incurred, directly or indirectly, to a person who
2 is subject in a foreign country or state, other
3 than a state which requires mandatory unitary
4 reporting, to a tax on or measured by net income
5 with respect to such interest; or

6 (ii) an item of interest paid, accrued, or
7 incurred, directly or indirectly, to a person if
8 the taxpayer can establish, based on a
9 preponderance of the evidence, both of the
10 following:

11 (a) the person, during the same taxable
12 year, paid, accrued, or incurred, the interest
13 to a person that is not a related member, and

14 (b) the transaction giving rise to the
15 interest expense between the taxpayer and the
16 person did not have as a principal purpose the
17 avoidance of Illinois income tax, and is paid
18 pursuant to a contract or agreement that
19 reflects an arm's-length interest rate and
20 terms; or

21 (iii) the taxpayer can establish, based on
22 clear and convincing evidence, that the interest
23 paid, accrued, or incurred relates to a contract or
24 agreement entered into at arm's-length rates and
25 terms and the principal purpose for the payment is
26 not federal or Illinois tax avoidance; or

1 (iv) an item of interest paid, accrued, or
2 incurred, directly or indirectly, to a person if
3 the taxpayer establishes by clear and convincing
4 evidence that the adjustments are unreasonable; or
5 if the taxpayer and the Director agree in writing
6 to the application or use of an alternative method
7 of apportionment under Section 304(f).

8 Nothing in this subsection shall preclude the
9 Director from making any other adjustment
10 otherwise allowed under Section 404 of this Act for
11 any tax year beginning after the effective date of
12 this amendment provided such adjustment is made
13 pursuant to regulation adopted by the Department
14 and such regulations provide methods and standards
15 by which the Department will utilize its authority
16 under Section 404 of this Act; and

17 (D-8) An amount equal to the amount of intangible
18 expenses and costs otherwise allowed as a deduction in
19 computing base income, and that were paid, accrued, or
20 incurred, directly or indirectly, (i) for taxable
21 years ending on or after December 31, 2004, to a
22 foreign person who would be a member of the same
23 unitary business group but for the fact that the
24 foreign person's business activity outside the United
25 States is 80% or more of that person's total business
26 activity and (ii) for taxable years ending on or after

1 December 31, 2008, to a person who would be a member of
2 the same unitary business group but for the fact that
3 the person is prohibited under Section 1501(a)(27)
4 from being included in the unitary business group
5 because he or she is ordinarily required to apportion
6 business income under different subsections of Section
7 304. The addition modification required by this
8 subparagraph shall be reduced to the extent that
9 dividends were included in base income of the unitary
10 group for the same taxable year and received by the
11 taxpayer or by a member of the taxpayer's unitary
12 business group (including amounts included in gross
13 income pursuant to Sections 951 through 964 of the
14 Internal Revenue Code and amounts included in gross
15 income under Section 78 of the Internal Revenue Code)
16 with respect to the stock of the same person to whom
17 the intangible expenses and costs were directly or
18 indirectly paid, incurred or accrued. The preceding
19 sentence shall not apply to the extent that the same
20 dividends caused a reduction to the addition
21 modification required under Section 203(d)(2)(D-7) of
22 this Act. As used in this subparagraph, the term
23 "intangible expenses and costs" includes (1) expenses,
24 losses, and costs for, or related to, the direct or
25 indirect acquisition, use, maintenance or management,
26 ownership, sale, exchange, or any other disposition of

1 intangible property; (2) losses incurred, directly or
2 indirectly, from factoring transactions or discounting
3 transactions; (3) royalty, patent, technical, and
4 copyright fees; (4) licensing fees; and (5) other
5 similar expenses and costs. For purposes of this
6 subparagraph, "intangible property" includes patents,
7 patent applications, trade names, trademarks, service
8 marks, copyrights, mask works, trade secrets, and
9 similar types of intangible assets;

10 This paragraph shall not apply to the following:

11 (i) any item of intangible expenses or costs
12 paid, accrued, or incurred, directly or
13 indirectly, from a transaction with a person who is
14 subject in a foreign country or state, other than a
15 state which requires mandatory unitary reporting,
16 to a tax on or measured by net income with respect
17 to such item; or

18 (ii) any item of intangible expense or cost
19 paid, accrued, or incurred, directly or
20 indirectly, if the taxpayer can establish, based
21 on a preponderance of the evidence, both of the
22 following:

23 (a) the person during the same taxable
24 year paid, accrued, or incurred, the
25 intangible expense or cost to a person that is
26 not a related member, and

1 (b) the transaction giving rise to the
2 intangible expense or cost between the
3 taxpayer and the person did not have as a
4 principal purpose the avoidance of Illinois
5 income tax, and is paid pursuant to a contract
6 or agreement that reflects arm's-length terms;
7 or

8 (iii) any item of intangible expense or cost
9 paid, accrued, or incurred, directly or
10 indirectly, from a transaction with a person if the
11 taxpayer establishes by clear and convincing
12 evidence, that the adjustments are unreasonable;
13 or if the taxpayer and the Director agree in
14 writing to the application or use of an alternative
15 method of apportionment under Section 304(f);

16 Nothing in this subsection shall preclude the
17 Director from making any other adjustment
18 otherwise allowed under Section 404 of this Act for
19 any tax year beginning after the effective date of
20 this amendment provided such adjustment is made
21 pursuant to regulation adopted by the Department
22 and such regulations provide methods and standards
23 by which the Department will utilize its authority
24 under Section 404 of this Act;

25 (D-9) For taxable years ending on or after December
26 31, 2008, an amount equal to the amount of insurance

1 premium expenses and costs otherwise allowed as a
2 deduction in computing base income, and that were paid,
3 accrued, or incurred, directly or indirectly, to a
4 person who would be a member of the same unitary
5 business group but for the fact that the person is
6 prohibited under Section 1501(a)(27) from being
7 included in the unitary business group because he or
8 she is ordinarily required to apportion business
9 income under different subsections of Section 304. The
10 addition modification required by this subparagraph
11 shall be reduced to the extent that dividends were
12 included in base income of the unitary group for the
13 same taxable year and received by the taxpayer or by a
14 member of the taxpayer's unitary business group
15 (including amounts included in gross income under
16 Sections 951 through 964 of the Internal Revenue Code
17 and amounts included in gross income under Section 78
18 of the Internal Revenue Code) with respect to the stock
19 of the same person to whom the premiums and costs were
20 directly or indirectly paid, incurred, or accrued. The
21 preceding sentence does not apply to the extent that
22 the same dividends caused a reduction to the addition
23 modification required under Section 203(d)(2)(D-7) or
24 Section 203(d)(2)(D-8) of this Act;

25 (D-10) An amount equal to the credit allowable to
26 the taxpayer under Section 218(a) of this Act,

1 determined without regard to Section 218(c) of this
2 Act;

3 (D-11) For taxable years ending on or after
4 December 31, 2016, an amount equal to the deduction
5 allowed under Section 199 of the Internal Revenue Code
6 for the taxable year;

7 and by deducting from the total so obtained the following
8 amounts:

9 (E) The valuation limitation amount;

10 (F) An amount equal to the amount of any tax
11 imposed by this Act which was refunded to the taxpayer
12 and included in such total for the taxable year;

13 (G) An amount equal to all amounts included in
14 taxable income as modified by subparagraphs (A), (B),
15 (C) and (D) which are exempt from taxation by this
16 State either by reason of its statutes or Constitution
17 or by reason of the Constitution, treaties or statutes
18 of the United States; provided that, in the case of any
19 statute of this State that exempts income derived from
20 bonds or other obligations from the tax imposed under
21 this Act, the amount exempted shall be the interest net
22 of bond premium amortization;

23 (H) Any income of the partnership which
24 constitutes personal service income as defined in
25 Section 1348 (b) (1) of the Internal Revenue Code (as
26 in effect December 31, 1981) or a reasonable allowance

1 for compensation paid or accrued for services rendered
2 by partners to the partnership, whichever is greater;
3 this subparagraph (H) is exempt from the provisions of
4 Section 250;

5 (I) An amount equal to all amounts of income
6 distributable to an entity subject to the Personal
7 Property Tax Replacement Income Tax imposed by
8 subsections (c) and (d) of Section 201 of this Act
9 including amounts distributable to organizations
10 exempt from federal income tax by reason of Section
11 501(a) of the Internal Revenue Code; this subparagraph
12 (I) is exempt from the provisions of Section 250;

13 (J) With the exception of any amounts subtracted
14 under subparagraph (G), an amount equal to the sum of
15 all amounts disallowed as deductions by (i) Sections
16 171(a) (2), and 265(2) of the Internal Revenue Code,
17 and all amounts of expenses allocable to interest and
18 disallowed as deductions by Section 265(1) of the
19 Internal Revenue Code; and (ii) for taxable years
20 ending on or after August 13, 1999, Sections 171(a) (2),
21 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
22 Code, plus, (iii) for taxable years ending on or after
23 December 31, 2011, Section 45G(e) (3) of the Internal
24 Revenue Code and, for taxable years ending on or after
25 December 31, 2008, any amount included in gross income
26 under Section 87 of the Internal Revenue Code; the

1 provisions of this subparagraph are exempt from the
2 provisions of Section 250;

3 (K) An amount equal to those dividends included in
4 such total which were paid by a corporation which
5 conducts business operations in a River Edge
6 Redevelopment Zone or zones created under the River
7 Edge Redevelopment Zone Act and conducts substantially
8 all of its operations from a River Edge Redevelopment
9 Zone or zones. This subparagraph (K) is exempt from the
10 provisions of Section 250;

11 (L) An amount equal to any contribution made to a
12 job training project established pursuant to the Real
13 Property Tax Increment Allocation Redevelopment Act;

14 (M) For taxable years ending on or after December
15 31, 2016, an ~~An~~ amount equal to those dividends
16 included in such total that were paid by a corporation
17 that conducts business operations in a federally
18 designated Foreign Trade Zone or Sub-Zone and that is
19 designated a High Impact Business located in Illinois;
20 provided that dividends eligible for the deduction
21 provided in subparagraph (K) of paragraph (2) of this
22 subsection shall not be eligible for the deduction
23 provided under this subparagraph (M);

24 (N) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

3 (O) For taxable years 2001 and thereafter, for the
4 taxable year in which the bonus depreciation deduction
5 is taken on the taxpayer's federal income tax return
6 under subsection (k) of Section 168 of the Internal
7 Revenue Code and for each applicable taxable year
8 thereafter, an amount equal to "x", where:

9 (1) "y" equals the amount of the depreciation
10 deduction taken for the taxable year on the
11 taxpayer's federal income tax return on property
12 for which the bonus depreciation deduction was
13 taken in any year under subsection (k) of Section
14 168 of the Internal Revenue Code, but not including
15 the bonus depreciation deduction;

16 (2) for taxable years ending on or before
17 December 31, 2005, "x" equals "y" multiplied by 30
18 and then divided by 70 (or "y" multiplied by
19 0.429); and

20 (3) for taxable years ending after December
21 31, 2005:

22 (i) for property on which a bonus
23 depreciation deduction of 30% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 30 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (ii) for property on which a bonus
2 depreciation deduction of 50% of the adjusted
3 basis was taken, "x" equals "y" multiplied by
4 1.0.

5 The aggregate amount deducted under this
6 subparagraph in all taxable years for any one piece of
7 property may not exceed the amount of the bonus
8 depreciation deduction taken on that property on the
9 taxpayer's federal income tax return under subsection
10 (k) of Section 168 of the Internal Revenue Code. This
11 subparagraph (O) is exempt from the provisions of
12 Section 250;

13 (P) If the taxpayer sells, transfers, abandons, or
14 otherwise disposes of property for which the taxpayer
15 was required in any taxable year to make an addition
16 modification under subparagraph (D-5), then an amount
17 equal to that addition modification.

18 If the taxpayer continues to own property through
19 the last day of the last tax year for which the
20 taxpayer may claim a depreciation deduction for
21 federal income tax purposes and for which the taxpayer
22 was required in any taxable year to make an addition
23 modification under subparagraph (D-5), then an amount
24 equal to that addition modification.

25 The taxpayer is allowed to take the deduction under
26 this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (P) is exempt from the
3 provisions of Section 250;

4 (Q) The amount of (i) any interest income (net of
5 the deductions allocable thereto) taken into account
6 for the taxable year with respect to a transaction with
7 a taxpayer that is required to make an addition
8 modification with respect to such transaction under
9 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
10 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
11 the amount of such addition modification and (ii) any
12 income from intangible property (net of the deductions
13 allocable thereto) taken into account for the taxable
14 year with respect to a transaction with a taxpayer that
15 is required to make an addition modification with
16 respect to such transaction under Section
17 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
18 203(d)(2)(D-8), but not to exceed the amount of such
19 addition modification. This subparagraph (Q) is exempt
20 from Section 250;

21 (R) An amount equal to the interest income taken
22 into account for the taxable year (net of the
23 deductions allocable thereto) with respect to
24 transactions with (i) a foreign person who would be a
25 member of the taxpayer's unitary business group but for
26 the fact that the foreign person's business activity

1 outside the United States is 80% or more of that
2 person's total business activity and (ii) for taxable
3 years ending on or after December 31, 2008, to a person
4 who would be a member of the same unitary business
5 group but for the fact that the person is prohibited
6 under Section 1501(a)(27) from being included in the
7 unitary business group because he or she is ordinarily
8 required to apportion business income under different
9 subsections of Section 304, but not to exceed the
10 addition modification required to be made for the same
11 taxable year under Section 203(d)(2)(D-7) for interest
12 paid, accrued, or incurred, directly or indirectly, to
13 the same person. This subparagraph (R) is exempt from
14 Section 250;

15 (S) An amount equal to the income from intangible
16 property taken into account for the taxable year (net
17 of the deductions allocable thereto) with respect to
18 transactions with (i) a foreign person who would be a
19 member of the taxpayer's unitary business group but for
20 the fact that the foreign person's business activity
21 outside the United States is 80% or more of that
22 person's total business activity and (ii) for taxable
23 years ending on or after December 31, 2008, to a person
24 who would be a member of the same unitary business
25 group but for the fact that the person is prohibited
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily
2 required to apportion business income under different
3 subsections of Section 304, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(d)(2)(D-8) for
6 intangible expenses and costs paid, accrued, or
7 incurred, directly or indirectly, to the same person.
8 This subparagraph (S) is exempt from Section 250; and

9 (T) For taxable years ending on or after December
10 31, 2011, in the case of a taxpayer who was required to
11 add back any insurance premiums under Section
12 203(d)(2)(D-9), such taxpayer may elect to subtract
13 that part of a reimbursement received from the
14 insurance company equal to the amount of the expense or
15 loss (including expenses incurred by the insurance
16 company) that would have been taken into account as a
17 deduction for federal income tax purposes if the
18 expense or loss had been uninsured. If a taxpayer makes
19 the election provided for by this subparagraph (T), the
20 insurer to which the premiums were paid must add back
21 to income the amount subtracted by the taxpayer
22 pursuant to this subparagraph (T). This subparagraph
23 (T) is exempt from the provisions of Section 250.

24 (e) Gross income; adjusted gross income; taxable income.

25 (1) In general. Subject to the provisions of paragraph

1 (2) and subsection (b) (3), for purposes of this Section
2 and Section 803(e), a taxpayer's gross income, adjusted
3 gross income, or taxable income for the taxable year shall
4 mean the amount of gross income, adjusted gross income or
5 taxable income properly reportable for federal income tax
6 purposes for the taxable year under the provisions of the
7 Internal Revenue Code. Taxable income may be less than
8 zero. However, for taxable years ending on or after
9 December 31, 1986, net operating loss carryforwards from
10 taxable years ending prior to December 31, 1986, may not
11 exceed the sum of federal taxable income for the taxable
12 year before net operating loss deduction, plus the excess
13 of addition modifications over subtraction modifications
14 for the taxable year. For taxable years ending prior to
15 December 31, 1986, taxable income may never be an amount in
16 excess of the net operating loss for the taxable year as
17 defined in subsections (c) and (d) of Section 172 of the
18 Internal Revenue Code, provided that when taxable income of
19 a corporation (other than a Subchapter S corporation),
20 trust, or estate is less than zero and addition
21 modifications, other than those provided by subparagraph
22 (E) of paragraph (2) of subsection (b) for corporations or
23 subparagraph (E) of paragraph (2) of subsection (c) for
24 trusts and estates, exceed subtraction modifications, an
25 addition modification must be made under those
26 subparagraphs for any other taxable year to which the

1 taxable income less than zero (net operating loss) is
2 applied under Section 172 of the Internal Revenue Code or
3 under subparagraph (E) of paragraph (2) of this subsection
4 (e) applied in conjunction with Section 172 of the Internal
5 Revenue Code.

6 (2) Special rule. For purposes of paragraph (1) of this
7 subsection, the taxable income properly reportable for
8 federal income tax purposes shall mean:

9 (A) Certain life insurance companies. In the case
10 of a life insurance company subject to the tax imposed
11 by Section 801 of the Internal Revenue Code, life
12 insurance company taxable income, plus the amount of
13 distribution from pre-1984 policyholder surplus
14 accounts as calculated under Section 815a of the
15 Internal Revenue Code;

16 (B) Certain other insurance companies. In the case
17 of mutual insurance companies subject to the tax
18 imposed by Section 831 of the Internal Revenue Code,
19 insurance company taxable income;

20 (C) Regulated investment companies. In the case of
21 a regulated investment company subject to the tax
22 imposed by Section 852 of the Internal Revenue Code,
23 investment company taxable income;

24 (D) Real estate investment trusts. In the case of a
25 real estate investment trust subject to the tax imposed
26 by Section 857 of the Internal Revenue Code, real

1 estate investment trust taxable income;

2 (E) Consolidated corporations. In the case of a
3 corporation which is a member of an affiliated group of
4 corporations filing a consolidated income tax return
5 for the taxable year for federal income tax purposes,
6 taxable income determined as if such corporation had
7 filed a separate return for federal income tax purposes
8 for the taxable year and each preceding taxable year
9 for which it was a member of an affiliated group. For
10 purposes of this subparagraph, the taxpayer's separate
11 taxable income shall be determined as if the election
12 provided by Section 243(b) (2) of the Internal Revenue
13 Code had been in effect for all such years;

14 (F) Cooperatives. In the case of a cooperative
15 corporation or association, the taxable income of such
16 organization determined in accordance with the
17 provisions of Section 1381 through 1388 of the Internal
18 Revenue Code, but without regard to the prohibition
19 against offsetting losses from patronage activities
20 against income from nonpatronage activities; except
21 that a cooperative corporation or association may make
22 an election to follow its federal income tax treatment
23 of patronage losses and nonpatronage losses. In the
24 event such election is made, such losses shall be
25 computed and carried over in a manner consistent with
26 subsection (a) of Section 207 of this Act and

1 apportioned by the apportionment factor reported by
2 the cooperative on its Illinois income tax return filed
3 for the taxable year in which the losses are incurred.
4 The election shall be effective for all taxable years
5 with original returns due on or after the date of the
6 election. In addition, the cooperative may file an
7 amended return or returns, as allowed under this Act,
8 to provide that the election shall be effective for
9 losses incurred or carried forward for taxable years
10 occurring prior to the date of the election. Once made,
11 the election may only be revoked upon approval of the
12 Director. The Department shall adopt rules setting
13 forth requirements for documenting the elections and
14 any resulting Illinois net loss and the standards to be
15 used by the Director in evaluating requests to revoke
16 elections. Public Act 96-932 is declaratory of
17 existing law;

18 (G) Subchapter S corporations. In the case of: (i)
19 a Subchapter S corporation for which there is in effect
20 an election for the taxable year under Section 1362 of
21 the Internal Revenue Code, the taxable income of such
22 corporation determined in accordance with Section
23 1363(b) of the Internal Revenue Code, except that
24 taxable income shall take into account those items
25 which are required by Section 1363(b)(1) of the
26 Internal Revenue Code to be separately stated; and (ii)

1 a Subchapter S corporation for which there is in effect
2 a federal election to opt out of the provisions of the
3 Subchapter S Revision Act of 1982 and have applied
4 instead the prior federal Subchapter S rules as in
5 effect on July 1, 1982, the taxable income of such
6 corporation determined in accordance with the federal
7 Subchapter S rules as in effect on July 1, 1982; and

8 (H) Partnerships. In the case of a partnership,
9 taxable income determined in accordance with Section
10 703 of the Internal Revenue Code, except that taxable
11 income shall take into account those items which are
12 required by Section 703(a)(1) to be separately stated
13 but which would be taken into account by an individual
14 in calculating his taxable income.

15 (3) Recapture of business expenses on disposition of
16 asset or business. Notwithstanding any other law to the
17 contrary, if in prior years income from an asset or
18 business has been classified as business income and in a
19 later year is demonstrated to be non-business income, then
20 all expenses, without limitation, deducted in such later
21 year and in the 2 immediately preceding taxable years
22 related to that asset or business that generated the
23 non-business income shall be added back and recaptured as
24 business income in the year of the disposition of the asset
25 or business. Such amount shall be apportioned to Illinois
26 using the greater of the apportionment fraction computed

1 for the business under Section 304 of this Act for the
2 taxable year or the average of the apportionment fractions
3 computed for the business under Section 304 of this Act for
4 the taxable year and for the 2 immediately preceding
5 taxable years.

6 (f) Valuation limitation amount.

7 (1) In general. The valuation limitation amount
8 referred to in subsections (a) (2) (G), (c) (2) (I) and
9 (d) (2) (E) is an amount equal to:

10 (A) The sum of the pre-August 1, 1969 appreciation
11 amounts (to the extent consisting of gain reportable
12 under the provisions of Section 1245 or 1250 of the
13 Internal Revenue Code) for all property in respect of
14 which such gain was reported for the taxable year; plus

15 (B) The lesser of (i) the sum of the pre-August 1,
16 1969 appreciation amounts (to the extent consisting of
17 capital gain) for all property in respect of which such
18 gain was reported for federal income tax purposes for
19 the taxable year, or (ii) the net capital gain for the
20 taxable year, reduced in either case by any amount of
21 such gain included in the amount determined under
22 subsection (a) (2) (F) or (c) (2) (H).

23 (2) Pre-August 1, 1969 appreciation amount.

24 (A) If the fair market value of property referred
25 to in paragraph (1) was readily ascertainable on August

1 1, 1969, the pre-August 1, 1969 appreciation amount for
2 such property is the lesser of (i) the excess of such
3 fair market value over the taxpayer's basis (for
4 determining gain) for such property on that date
5 (determined under the Internal Revenue Code as in
6 effect on that date), or (ii) the total gain realized
7 and reportable for federal income tax purposes in
8 respect of the sale, exchange or other disposition of
9 such property.

10 (B) If the fair market value of property referred
11 to in paragraph (1) was not readily ascertainable on
12 August 1, 1969, the pre-August 1, 1969 appreciation
13 amount for such property is that amount which bears the
14 same ratio to the total gain reported in respect of the
15 property for federal income tax purposes for the
16 taxable year, as the number of full calendar months in
17 that part of the taxpayer's holding period for the
18 property ending July 31, 1969 bears to the number of
19 full calendar months in the taxpayer's entire holding
20 period for the property.

21 (C) The Department shall prescribe such
22 regulations as may be necessary to carry out the
23 purposes of this paragraph.

24 (g) Double deductions. Unless specifically provided
25 otherwise, nothing in this Section shall permit the same item

1 to be deducted more than once.

2 (h) Legislative intention. Except as expressly provided by
3 this Section there shall be no modifications or limitations on
4 the amounts of income, gain, loss or deduction taken into
5 account in determining gross income, adjusted gross income or
6 taxable income for federal income tax purposes for the taxable
7 year, or in the amount of such items entering into the
8 computation of base income and net income under this Act for
9 such taxable year, whether in respect of property values as of
10 August 1, 1969 or otherwise.

11 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
12 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
13 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
14 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
15 eff. 8-23-11; 97-905, eff. 8-7-12.)

16 (35 ILCS 5/223)

17 Sec. 223. Hospital credit.

18 (a) For tax years ending on or after December 31, 2012 and
19 ending on or before December 31, 2016, a taxpayer that is the
20 owner of a hospital licensed under the Hospital Licensing Act,
21 but not including an organization that is exempt from federal
22 income taxes under the Internal Revenue Code, is entitled to a
23 credit against the taxes imposed under subsections (a) and (b)
24 of Section 201 of this Act in an amount equal to the lesser of

1 the amount of real property taxes paid during the tax year on
2 real property used for hospital purposes during the prior tax
3 year or the cost of free or discounted services provided during
4 the tax year pursuant to the hospital's charitable financial
5 assistance policy, measured at cost.

6 (b) If the taxpayer is a partnership or Subchapter S
7 corporation, the credit is allowed to the partners or
8 shareholders in accordance with the determination of income and
9 distributive share of income under Sections 702 and 704 and
10 Subchapter S of the Internal Revenue Code. A transfer of this
11 credit may be made by the taxpayer earning the credit within
12 one year after the credit is earned in accordance with rules
13 adopted by the Department. The Department shall prescribe rules
14 to enforce and administer provisions of this Section. If the
15 amount of the credit exceeds the tax liability for the year,
16 then the excess credit may be carried forward and applied to
17 the tax liability of the 5 taxable years following the excess
18 credit year. The credit shall be applied to the earliest year
19 for which there is a tax liability. If there are credits from
20 more than one tax year that are available to offset a
21 liability, the earlier credit shall be applied first. In no
22 event shall a credit under this Section reduce the taxpayer's
23 liability to less than zero.

24 (Source: P.A. 97-688, eff. 6-14-12.)

1 Sec. 304. Business income of persons other than residents.

2 (a) In general. The business income of a person other than
3 a resident shall be allocated to this State if such person's
4 business income is derived solely from this State. If a person
5 other than a resident derives business income from this State
6 and one or more other states, then, for tax years ending on or
7 before December 30, 1998, and for tax years ending on or after
8 December 31, 2016, and except as otherwise provided by this
9 Section, such person's business income shall be apportioned to
10 this State by multiplying the income by a fraction, the
11 numerator of which is the sum of the property factor (if any),
12 the payroll factor (if any) and 200% of the sales factor (if
13 any), and the denominator of which is 4 reduced by the number
14 of factors other than the sales factor which have a denominator
15 of zero and by an additional 2 if the sales factor has a
16 denominator of zero. For tax years ending on or after December
17 31, 1998, and ending on or before December 30, 2016, and except
18 as otherwise provided by this Section, persons other than
19 residents who derive business income from this State and one or
20 more other states shall compute their apportionment factor by
21 weighting their property, payroll, and sales factors as
22 provided in subsection (h) of this Section.

23 (1) Property factor.

24 (A) The property factor is a fraction, the numerator of
25 which is the average value of the person's real and
26 tangible personal property owned or rented and used in the

1 trade or business in this State during the taxable year and
2 the denominator of which is the average value of all the
3 person's real and tangible personal property owned or
4 rented and used in the trade or business during the taxable
5 year.

6 (B) Property owned by the person is valued at its
7 original cost. Property rented by the person is valued at 8
8 times the net annual rental rate. Net annual rental rate is
9 the annual rental rate paid by the person less any annual
10 rental rate received by the person from sub-rentals.

11 (C) The average value of property shall be determined
12 by averaging the values at the beginning and ending of the
13 taxable year but the Director may require the averaging of
14 monthly values during the taxable year if reasonably
15 required to reflect properly the average value of the
16 person's property.

17 (2) Payroll factor.

18 (A) The payroll factor is a fraction, the numerator of
19 which is the total amount paid in this State during the
20 taxable year by the person for compensation, and the
21 denominator of which is the total compensation paid
22 everywhere during the taxable year.

23 (B) Compensation is paid in this State if:

24 (i) The individual's service is performed entirely
25 within this State;

26 (ii) The individual's service is performed both

1 within and without this State, but the service
2 performed without this State is incidental to the
3 individual's service performed within this State; or

4 (iii) Some of the service is performed within this
5 State and either the base of operations, or if there is
6 no base of operations, the place from which the service
7 is directed or controlled is within this State, or the
8 base of operations or the place from which the service
9 is directed or controlled is not in any state in which
10 some part of the service is performed, but the
11 individual's residence is in this State.

12 (iv) Compensation paid to nonresident professional
13 athletes.

14 (a) General. The Illinois source income of a
15 nonresident individual who is a member of a
16 professional athletic team includes the portion of the
17 individual's total compensation for services performed
18 as a member of a professional athletic team during the
19 taxable year which the number of duty days spent within
20 this State performing services for the team in any
21 manner during the taxable year bears to the total
22 number of duty days spent both within and without this
23 State during the taxable year.

24 (b) Travel days. Travel days that do not involve
25 either a game, practice, team meeting, or other similar
26 team event are not considered duty days spent in this

1 State. However, such travel days are considered in the
2 total duty days spent both within and without this
3 State.

4 (c) Definitions. For purposes of this subpart
5 (iv):

6 (1) The term "professional athletic team"
7 includes, but is not limited to, any professional
8 baseball, basketball, football, soccer, or hockey
9 team.

10 (2) The term "member of a professional
11 athletic team" includes those employees who are
12 active players, players on the disabled list, and
13 any other persons required to travel and who travel
14 with and perform services on behalf of a
15 professional athletic team on a regular basis.
16 This includes, but is not limited to, coaches,
17 managers, and trainers.

18 (3) Except as provided in items (C) and (D) of
19 this subpart (3), the term "duty days" means all
20 days during the taxable year from the beginning of
21 the professional athletic team's official
22 pre-season training period through the last game
23 in which the team competes or is scheduled to
24 compete. Duty days shall be counted for the year in
25 which they occur, including where a team's
26 official pre-season training period through the

1 last game in which the team competes or is
2 scheduled to compete, occurs during more than one
3 tax year.

4 (A) Duty days shall also include days on
5 which a member of a professional athletic team
6 performs service for a team on a date that does
7 not fall within the foregoing period (e.g.,
8 participation in instructional leagues, the
9 "All Star Game", or promotional "caravans").
10 Performing a service for a professional
11 athletic team includes conducting training and
12 rehabilitation activities, when such
13 activities are conducted at team facilities.

14 (B) Also included in duty days are game
15 days, practice days, days spent at team
16 meetings, promotional caravans, preseason
17 training camps, and days served with the team
18 through all post-season games in which the team
19 competes or is scheduled to compete.

20 (C) Duty days for any person who joins a
21 team during the period from the beginning of
22 the professional athletic team's official
23 pre-season training period through the last
24 game in which the team competes, or is
25 scheduled to compete, shall begin on the day
26 that person joins the team. Conversely, duty

1 days for any person who leaves a team during
2 this period shall end on the day that person
3 leaves the team. Where a person switches teams
4 during a taxable year, a separate duty-day
5 calculation shall be made for the period the
6 person was with each team.

7 (D) Days for which a member of a
8 professional athletic team is not compensated
9 and is not performing services for the team in
10 any manner, including days when such member of
11 a professional athletic team has been
12 suspended without pay and prohibited from
13 performing any services for the team, shall not
14 be treated as duty days.

15 (E) Days for which a member of a
16 professional athletic team is on the disabled
17 list and does not conduct rehabilitation
18 activities at facilities of the team, and is
19 not otherwise performing services for the team
20 in Illinois, shall not be considered duty days
21 spent in this State. All days on the disabled
22 list, however, are considered to be included in
23 total duty days spent both within and without
24 this State.

25 (4) The term "total compensation for services
26 performed as a member of a professional athletic

1 team" means the total compensation received during
2 the taxable year for services performed:

3 (A) from the beginning of the official
4 pre-season training period through the last
5 game in which the team competes or is scheduled
6 to compete during that taxable year; and

7 (B) during the taxable year on a date which
8 does not fall within the foregoing period
9 (e.g., participation in instructional leagues,
10 the "All Star Game", or promotional caravans).

11 This compensation shall include, but is not
12 limited to, salaries, wages, bonuses as described
13 in this subpart, and any other type of compensation
14 paid during the taxable year to a member of a
15 professional athletic team for services performed
16 in that year. This compensation does not include
17 strike benefits, severance pay, termination pay,
18 contract or option year buy-out payments,
19 expansion or relocation payments, or any other
20 payments not related to services performed for the
21 team.

22 For purposes of this subparagraph, "bonuses"
23 included in "total compensation for services
24 performed as a member of a professional athletic
25 team" subject to the allocation described in
26 Section 302(c)(1) are: bonuses earned as a result

1 of play (i.e., performance bonuses) during the
2 season, including bonuses paid for championship,
3 playoff or "bowl" games played by a team, or for
4 selection to all-star league or other honorary
5 positions; and bonuses paid for signing a
6 contract, unless the payment of the signing bonus
7 is not conditional upon the signee playing any
8 games for the team or performing any subsequent
9 services for the team or even making the team, the
10 signing bonus is payable separately from the
11 salary and any other compensation, and the signing
12 bonus is nonrefundable.

13 (3) Sales factor.

14 (A) The sales factor is a fraction, the numerator of
15 which is the total sales of the person in this State during
16 the taxable year, and the denominator of which is the total
17 sales of the person everywhere during the taxable year.

18 (B) Sales of tangible personal property are in this
19 State if:

20 (i) The property is delivered or shipped to a
21 purchaser, other than the United States government,
22 within this State regardless of the f. o. b. point or
23 other conditions of the sale; or

24 (ii) The property is shipped from an office, store,
25 warehouse, factory or other place of storage in this
26 State and either the purchaser is the United States

1 government or the person is not taxable in the state of
2 the purchaser; provided, however, that premises owned
3 or leased by a person who has independently contracted
4 with the seller for the printing of newspapers,
5 periodicals or books shall not be deemed to be an
6 office, store, warehouse, factory or other place of
7 storage for purposes of this Section. Sales of tangible
8 personal property are not in this State if the seller
9 and purchaser would be members of the same unitary
10 business group but for the fact that either the seller
11 or purchaser is a person with 80% or more of total
12 business activity outside of the United States and the
13 property is purchased for resale.

14 (B-1) Patents, copyrights, trademarks, and similar
15 items of intangible personal property.

16 (i) Gross receipts from the licensing, sale, or
17 other disposition of a patent, copyright, trademark,
18 or similar item of intangible personal property, other
19 than gross receipts governed by paragraph (B-7) of this
20 item (3), are in this State to the extent the item is
21 utilized in this State during the year the gross
22 receipts are included in gross income.

23 (ii) Place of utilization.

24 (I) A patent is utilized in a state to the
25 extent that it is employed in production,
26 fabrication, manufacturing, or other processing in

1 the state or to the extent that a patented product
2 is produced in the state. If a patent is utilized
3 in more than one state, the extent to which it is
4 utilized in any one state shall be a fraction equal
5 to the gross receipts of the licensee or purchaser
6 from sales or leases of items produced,
7 fabricated, manufactured, or processed within that
8 state using the patent and of patented items
9 produced within that state, divided by the total of
10 such gross receipts for all states in which the
11 patent is utilized.

12 (II) A copyright is utilized in a state to the
13 extent that printing or other publication
14 originates in the state. If a copyright is utilized
15 in more than one state, the extent to which it is
16 utilized in any one state shall be a fraction equal
17 to the gross receipts from sales or licenses of
18 materials printed or published in that state
19 divided by the total of such gross receipts for all
20 states in which the copyright is utilized.

21 (III) Trademarks and other items of intangible
22 personal property governed by this paragraph (B-1)
23 are utilized in the state in which the commercial
24 domicile of the licensee or purchaser is located.

25 (iii) If the state of utilization of an item of
26 property governed by this paragraph (B-1) cannot be

1 determined from the taxpayer's books and records or
2 from the books and records of any person related to the
3 taxpayer within the meaning of Section 267(b) of the
4 Internal Revenue Code, 26 U.S.C. 267, the gross
5 receipts attributable to that item shall be excluded
6 from both the numerator and the denominator of the
7 sales factor.

8 (B-2) Gross receipts from the license, sale, or other
9 disposition of patents, copyrights, trademarks, and
10 similar items of intangible personal property, other than
11 gross receipts governed by paragraph (B-7) of this item
12 (3), may be included in the numerator or denominator of the
13 sales factor only if gross receipts from licenses, sales,
14 or other disposition of such items comprise more than 50%
15 of the taxpayer's total gross receipts included in gross
16 income during the tax year and during each of the 2
17 immediately preceding tax years; provided that, when a
18 taxpayer is a member of a unitary business group, such
19 determination shall be made on the basis of the gross
20 receipts of the entire unitary business group.

21 (B-5) For taxable years ending on or after December 31,
22 2008, except as provided in subsections (ii) through (vii),
23 receipts from the sale of telecommunications service or
24 mobile telecommunications service are in this State if the
25 customer's service address is in this State.

26 (i) For purposes of this subparagraph (B-5), the

1 following terms have the following meanings:

2 "Ancillary services" means services that are
3 associated with or incidental to the provision of
4 "telecommunications services", including but not
5 limited to "detailed telecommunications billing",
6 "directory assistance", "vertical service", and "voice
7 mail services".

8 "Air-to-Ground Radiotelephone service" means a
9 radio service, as that term is defined in 47 CFR 22.99,
10 in which common carriers are authorized to offer and
11 provide radio telecommunications service for hire to
12 subscribers in aircraft.

13 "Call-by-call Basis" means any method of charging
14 for telecommunications services where the price is
15 measured by individual calls.

16 "Communications Channel" means a physical or
17 virtual path of communications over which signals are
18 transmitted between or among customer channel
19 termination points.

20 "Conference bridging service" means an "ancillary
21 service" that links two or more participants of an
22 audio or video conference call and may include the
23 provision of a telephone number. "Conference bridging
24 service" does not include the "telecommunications
25 services" used to reach the conference bridge.

26 "Customer Channel Termination Point" means the

1 location where the customer either inputs or receives
2 the communications.

3 "Detailed telecommunications billing service"
4 means an "ancillary service" of separately stating
5 information pertaining to individual calls on a
6 customer's billing statement.

7 "Directory assistance" means an "ancillary
8 service" of providing telephone number information,
9 and/or address information.

10 "Home service provider" means the facilities based
11 carrier or reseller with which the customer contracts
12 for the provision of mobile telecommunications
13 services.

14 "Mobile telecommunications service" means
15 commercial mobile radio service, as defined in Section
16 20.3 of Title 47 of the Code of Federal Regulations as
17 in effect on June 1, 1999.

18 "Place of primary use" means the street address
19 representative of where the customer's use of the
20 telecommunications service primarily occurs, which
21 must be the residential street address or the primary
22 business street address of the customer. In the case of
23 mobile telecommunications services, "place of primary
24 use" must be within the licensed service area of the
25 home service provider.

26 "Post-paid telecommunication service" means the

1 telecommunications service obtained by making a
2 payment on a call-by-call basis either through the use
3 of a credit card or payment mechanism such as a bank
4 card, travel card, credit card, or debit card, or by
5 charge made to a telephone number which is not
6 associated with the origination or termination of the
7 telecommunications service. A post-paid calling
8 service includes telecommunications service, except a
9 prepaid wireless calling service, that would be a
10 prepaid calling service except it is not exclusively a
11 telecommunication service.

12 "Prepaid telecommunication service" means the
13 right to access exclusively telecommunications
14 services, which must be paid for in advance and which
15 enables the origination of calls using an access number
16 or authorization code, whether manually or
17 electronically dialed, and that is sold in
18 predetermined units or dollars of which the number
19 declines with use in a known amount.

20 "Prepaid Mobile telecommunication service" means a
21 telecommunications service that provides the right to
22 utilize mobile wireless service as well as other
23 non-telecommunication services, including but not
24 limited to ancillary services, which must be paid for
25 in advance that is sold in predetermined units or
26 dollars of which the number declines with use in a

1 known amount.

2 "Private communication service" means a
3 telecommunication service that entitles the customer
4 to exclusive or priority use of a communications
5 channel or group of channels between or among
6 termination points, regardless of the manner in which
7 such channel or channels are connected, and includes
8 switching capacity, extension lines, stations, and any
9 other associated services that are provided in
10 connection with the use of such channel or channels.

11 "Service address" means:

12 (a) The location of the telecommunications
13 equipment to which a customer's call is charged and
14 from which the call originates or terminates,
15 regardless of where the call is billed or paid;

16 (b) If the location in line (a) is not known,
17 service address means the origination point of the
18 signal of the telecommunications services first
19 identified by either the seller's
20 telecommunications system or in information
21 received by the seller from its service provider
22 where the system used to transport such signals is
23 not that of the seller; and

24 (c) If the locations in line (a) and line (b)
25 are not known, the service address means the
26 location of the customer's place of primary use.

1 "Telecommunications service" means the electronic
2 transmission, conveyance, or routing of voice, data,
3 audio, video, or any other information or signals to a
4 point, or between or among points. The term
5 "telecommunications service" includes such
6 transmission, conveyance, or routing in which computer
7 processing applications are used to act on the form,
8 code or protocol of the content for purposes of
9 transmission, conveyance or routing without regard to
10 whether such service is referred to as voice over
11 Internet protocol services or is classified by the
12 Federal Communications Commission as enhanced or value
13 added. "Telecommunications service" does not include:

14 (a) Data processing and information services
15 that allow data to be generated, acquired, stored,
16 processed, or retrieved and delivered by an
17 electronic transmission to a purchaser when such
18 purchaser's primary purpose for the underlying
19 transaction is the processed data or information;

20 (b) Installation or maintenance of wiring or
21 equipment on a customer's premises;

22 (c) Tangible personal property;

23 (d) Advertising, including but not limited to
24 directory advertising.

25 (e) Billing and collection services provided
26 to third parties;

1 (f) Internet access service;

2 (g) Radio and television audio and video
3 programming services, regardless of the medium,
4 including the furnishing of transmission,
5 conveyance and routing of such services by the
6 programming service provider. Radio and television
7 audio and video programming services shall include
8 but not be limited to cable service as defined in
9 47 USC 522(6) and audio and video programming
10 services delivered by commercial mobile radio
11 service providers, as defined in 47 CFR 20.3;

12 (h) "Ancillary services"; or

13 (i) Digital products "delivered
14 electronically", including but not limited to
15 software, music, video, reading materials or ring
16 tones.

17 "Vertical service" means an "ancillary service"
18 that is offered in connection with one or more
19 "telecommunications services", which offers advanced
20 calling features that allow customers to identify
21 callers and to manage multiple calls and call
22 connections, including "conference bridging services".

23 "Voice mail service" means an "ancillary service"
24 that enables the customer to store, send or receive
25 recorded messages. "Voice mail service" does not
26 include any "vertical services" that the customer may

1 be required to have in order to utilize the "voice mail
2 service".

3 (ii) Receipts from the sale of telecommunications
4 service sold on an individual call-by-call basis are in
5 this State if either of the following applies:

6 (a) The call both originates and terminates in
7 this State.

8 (b) The call either originates or terminates
9 in this State and the service address is located in
10 this State.

11 (iii) Receipts from the sale of postpaid
12 telecommunications service at retail are in this State
13 if the origination point of the telecommunication
14 signal, as first identified by the service provider's
15 telecommunication system or as identified by
16 information received by the seller from its service
17 provider if the system used to transport
18 telecommunication signals is not the seller's, is
19 located in this State.

20 (iv) Receipts from the sale of prepaid
21 telecommunications service or prepaid mobile
22 telecommunications service at retail are in this State
23 if the purchaser obtains the prepaid card or similar
24 means of conveyance at a location in this State.
25 Receipts from recharging a prepaid telecommunications
26 service or mobile telecommunications service is in

1 this State if the purchaser's billing information
2 indicates a location in this State.

3 (v) Receipts from the sale of private
4 communication services are in this State as follows:

5 (a) 100% of receipts from charges imposed at
6 each channel termination point in this State.

7 (b) 100% of receipts from charges for the total
8 channel mileage between each channel termination
9 point in this State.

10 (c) 50% of the total receipts from charges for
11 service segments when those segments are between 2
12 customer channel termination points, 1 of which is
13 located in this State and the other is located
14 outside of this State, which segments are
15 separately charged.

16 (d) The receipts from charges for service
17 segments with a channel termination point located
18 in this State and in two or more other states, and
19 which segments are not separately billed, are in
20 this State based on a percentage determined by
21 dividing the number of customer channel
22 termination points in this State by the total
23 number of customer channel termination points.

24 (vi) Receipts from charges for ancillary services
25 for telecommunications service sold to customers at
26 retail are in this State if the customer's primary

1 place of use of telecommunications services associated
2 with those ancillary services is in this State. If the
3 seller of those ancillary services cannot determine
4 where the associated telecommunications are located,
5 then the ancillary services shall be based on the
6 location of the purchaser.

7 (vii) Receipts to access a carrier's network or
8 from the sale of telecommunication services or
9 ancillary services for resale are in this State as
10 follows:

11 (a) 100% of the receipts from access fees
12 attributable to intrastate telecommunications
13 service that both originates and terminates in
14 this State.

15 (b) 50% of the receipts from access fees
16 attributable to interstate telecommunications
17 service if the interstate call either originates
18 or terminates in this State.

19 (c) 100% of the receipts from interstate end
20 user access line charges, if the customer's
21 service address is in this State. As used in this
22 subdivision, "interstate end user access line
23 charges" includes, but is not limited to, the
24 surcharge approved by the federal communications
25 commission and levied pursuant to 47 CFR 69.

26 (d) Gross receipts from sales of

1 telecommunication services or from ancillary
2 services for telecommunications services sold to
3 other telecommunication service providers for
4 resale shall be sourced to this State using the
5 apportionment concepts used for non-resale
6 receipts of telecommunications services if the
7 information is readily available to make that
8 determination. If the information is not readily
9 available, then the taxpayer may use any other
10 reasonable and consistent method.

11 (B-7) For taxable years ending on or after December 31,
12 2008, receipts from the sale of broadcasting services are
13 in this State if the broadcasting services are received in
14 this State. For purposes of this paragraph (B-7), the
15 following terms have the following meanings:

16 "Advertising revenue" means consideration received
17 by the taxpayer in exchange for broadcasting services
18 or allowing the broadcasting of commercials or
19 announcements in connection with the broadcasting of
20 film or radio programming, from sponsorships of the
21 programming, or from product placements in the
22 programming.

23 "Audience factor" means the ratio that the
24 audience or subscribers located in this State of a
25 station, a network, or a cable system bears to the
26 total audience or total subscribers for that station,

1 network, or cable system. The audience factor for film
2 or radio programming shall be determined by reference
3 to the books and records of the taxpayer or by
4 reference to published rating statistics provided the
5 method used by the taxpayer is consistently used from
6 year to year for this purpose and fairly represents the
7 taxpayer's activity in this State.

8 "Broadcast" or "broadcasting" or "broadcasting
9 services" means the transmission or provision of film
10 or radio programming, whether through the public
11 airwaves, by cable, by direct or indirect satellite
12 transmission, or by any other means of communication,
13 either through a station, a network, or a cable system.

14 "Film" or "film programming" means the broadcast
15 on television of any and all performances, events, or
16 productions, including but not limited to news,
17 sporting events, plays, stories, or other literary,
18 commercial, educational, or artistic works, either
19 live or through the use of video tape, disc, or any
20 other type of format or medium. Each episode of a
21 series of films produced for television shall
22 constitute separate "film" notwithstanding that the
23 series relates to the same principal subject and is
24 produced during one or more tax periods.

25 "Radio" or "radio programming" means the broadcast
26 on radio of any and all performances, events, or

1 productions, including but not limited to news,
2 sporting events, plays, stories, or other literary,
3 commercial, educational, or artistic works, either
4 live or through the use of an audio tape, disc, or any
5 other format or medium. Each episode in a series of
6 radio programming produced for radio broadcast shall
7 constitute a separate "radio programming"
8 notwithstanding that the series relates to the same
9 principal subject and is produced during one or more
10 tax periods.

11 (i) In the case of advertising revenue from
12 broadcasting, the customer is the advertiser and
13 the service is received in this State if the
14 commercial domicile of the advertiser is in this
15 State.

16 (ii) In the case where film or radio
17 programming is broadcast by a station, a network,
18 or a cable system for a fee or other remuneration
19 received from the recipient of the broadcast, the
20 portion of the service that is received in this
21 State is measured by the portion of the recipients
22 of the broadcast located in this State.
23 Accordingly, the fee or other remuneration for
24 such service that is included in the Illinois
25 numerator of the sales factor is the total of those
26 fees or other remuneration received from

1 recipients in Illinois. For purposes of this
2 paragraph, a taxpayer may determine the location
3 of the recipients of its broadcast using the
4 address of the recipient shown in its contracts
5 with the recipient or using the billing address of
6 the recipient in the taxpayer's records.

7 (iii) In the case where film or radio
8 programming is broadcast by a station, a network,
9 or a cable system for a fee or other remuneration
10 from the person providing the programming, the
11 portion of the broadcast service that is received
12 by such station, network, or cable system in this
13 State is measured by the portion of recipients of
14 the broadcast located in this State. Accordingly,
15 the amount of revenue related to such an
16 arrangement that is included in the Illinois
17 numerator of the sales factor is the total fee or
18 other total remuneration from the person providing
19 the programming related to that broadcast
20 multiplied by the Illinois audience factor for
21 that broadcast.

22 (iv) In the case where film or radio
23 programming is provided by a taxpayer that is a
24 network or station to a customer for broadcast in
25 exchange for a fee or other remuneration from that
26 customer the broadcasting service is received at

1 the location of the office of the customer from
2 which the services were ordered in the regular
3 course of the customer's trade or business.
4 Accordingly, in such a case the revenue derived by
5 the taxpayer that is included in the taxpayer's
6 Illinois numerator of the sales factor is the
7 revenue from such customers who receive the
8 broadcasting service in Illinois.

9 (v) In the case where film or radio programming
10 is provided by a taxpayer that is not a network or
11 station to another person for broadcasting in
12 exchange for a fee or other remuneration from that
13 person, the broadcasting service is received at
14 the location of the office of the customer from
15 which the services were ordered in the regular
16 course of the customer's trade or business.
17 Accordingly, in such a case the revenue derived by
18 the taxpayer that is included in the taxpayer's
19 Illinois numerator of the sales factor is the
20 revenue from such customers who receive the
21 broadcasting service in Illinois.

22 (B-8) Gross receipts from winnings under the Illinois
23 Lottery Law from the assignment of a prize under Section
24 13.1 of the Illinois Lottery Law are received in this
25 State. This paragraph (B-8) applies only to taxable years
26 ending on or after December 31, 2013.

1 (C) For taxable years ending before December 31, 2008,
2 sales, other than sales governed by paragraphs (B), (B-1),
3 (B-2), and (B-8) are in this State if:

4 (i) The income-producing activity is performed in
5 this State; or

6 (ii) The income-producing activity is performed
7 both within and without this State and a greater
8 proportion of the income-producing activity is
9 performed within this State than without this State,
10 based on performance costs.

11 (C-5) For taxable years ending on or after December 31,
12 2008, sales, other than sales governed by paragraphs (B),
13 (B-1), (B-2), (B-5), and (B-7), are in this State if any of
14 the following criteria are met:

15 (i) Sales from the sale or lease of real property
16 are in this State if the property is located in this
17 State.

18 (ii) Sales from the lease or rental of tangible
19 personal property are in this State if the property is
20 located in this State during the rental period. Sales
21 from the lease or rental of tangible personal property
22 that is characteristically moving property, including,
23 but not limited to, motor vehicles, rolling stock,
24 aircraft, vessels, or mobile equipment are in this
25 State to the extent that the property is used in this
26 State.

1 (iii) In the case of interest, net gains (but not
2 less than zero) and other items of income from
3 intangible personal property, the sale is in this State
4 if:

5 (a) in the case of a taxpayer who is a dealer
6 in the item of intangible personal property within
7 the meaning of Section 475 of the Internal Revenue
8 Code, the income or gain is received from a
9 customer in this State. For purposes of this
10 subparagraph, a customer is in this State if the
11 customer is an individual, trust or estate who is a
12 resident of this State and, for all other
13 customers, if the customer's commercial domicile
14 is in this State. Unless the dealer has actual
15 knowledge of the residence or commercial domicile
16 of a customer during a taxable year, the customer
17 shall be deemed to be a customer in this State if
18 the billing address of the customer, as shown in
19 the records of the dealer, is in this State; or

20 (b) in all other cases, if the
21 income-producing activity of the taxpayer is
22 performed in this State or, if the
23 income-producing activity of the taxpayer is
24 performed both within and without this State, if a
25 greater proportion of the income-producing
26 activity of the taxpayer is performed within this

1 State than in any other state, based on performance
2 costs.

3 (iv) Sales of services are in this State if the
4 services are received in this State. For the purposes
5 of this section, gross receipts from the performance of
6 services provided to a corporation, partnership, or
7 trust may only be attributed to a state where that
8 corporation, partnership, or trust has a fixed place of
9 business. If the state where the services are received
10 is not readily determinable or is a state where the
11 corporation, partnership, or trust receiving the
12 service does not have a fixed place of business, the
13 services shall be deemed to be received at the location
14 of the office of the customer from which the services
15 were ordered in the regular course of the customer's
16 trade or business. If the ordering office cannot be
17 determined, the services shall be deemed to be received
18 at the office of the customer to which the services are
19 billed. If the taxpayer is not taxable in the state in
20 which the services are received, the sale must be
21 excluded from both the numerator and the denominator of
22 the sales factor. The Department shall adopt rules
23 prescribing where specific types of service are
24 received, including, but not limited to, publishing,
25 and utility service.

26 (D) For taxable years ending on or after December 31,

1 1995, the following items of income shall not be included
2 in the numerator or denominator of the sales factor:
3 dividends; amounts included under Section 78 of the
4 Internal Revenue Code; and Subpart F income as defined in
5 Section 952 of the Internal Revenue Code. No inference
6 shall be drawn from the enactment of this paragraph (D) in
7 construing this Section for taxable years ending before
8 December 31, 1995.

9 (E) Paragraphs (B-1) and (B-2) shall apply to tax years
10 ending on or after December 31, 1999, provided that a
11 taxpayer may elect to apply the provisions of these
12 paragraphs to prior tax years. Such election shall be made
13 in the form and manner prescribed by the Department, shall
14 be irrevocable, and shall apply to all tax years; provided
15 that, if a taxpayer's Illinois income tax liability for any
16 tax year, as assessed under Section 903 prior to January 1,
17 1999, was computed in a manner contrary to the provisions
18 of paragraphs (B-1) or (B-2), no refund shall be payable to
19 the taxpayer for that tax year to the extent such refund is
20 the result of applying the provisions of paragraph (B-1) or
21 (B-2) retroactively. In the case of a unitary business
22 group, such election shall apply to all members of such
23 group for every tax year such group is in existence, but
24 shall not apply to any taxpayer for any period during which
25 that taxpayer is not a member of such group.

26 (b) Insurance companies.

1 (1) In general. Except as otherwise provided by
2 paragraph (2), business income of an insurance company for
3 a taxable year shall be apportioned to this State by
4 multiplying such income by a fraction, the numerator of
5 which is the direct premiums written for insurance upon
6 property or risk in this State, and the denominator of
7 which is the direct premiums written for insurance upon
8 property or risk everywhere. For purposes of this
9 subsection, the term "direct premiums written" means the
10 total amount of direct premiums written, assessments and
11 annuity considerations as reported for the taxable year on
12 the annual statement filed by the company with the Illinois
13 Director of Insurance in the form approved by the National
14 Convention of Insurance Commissioners or such other form as
15 may be prescribed in lieu thereof.

16 (2) Reinsurance. If the principal source of premiums
17 written by an insurance company consists of premiums for
18 reinsurance accepted by it, the business income of such
19 company shall be apportioned to this State by multiplying
20 such income by a fraction, the numerator of which is the
21 sum of (i) direct premiums written for insurance upon
22 property or risk in this State, plus (ii) premiums written
23 for reinsurance accepted in respect of property or risk in
24 this State, and the denominator of which is the sum of
25 (iii) direct premiums written for insurance upon property
26 or risk everywhere, plus (iv) premiums written for

1 reinsurance accepted in respect of property or risk
2 everywhere. For purposes of this paragraph, premiums
3 written for reinsurance accepted in respect of property or
4 risk in this State, whether or not otherwise determinable,
5 may, at the election of the company, be determined on the
6 basis of the proportion which premiums written for
7 reinsurance accepted from companies commercially domiciled
8 in Illinois bears to premiums written for reinsurance
9 accepted from all sources, or, alternatively, in the
10 proportion which the sum of the direct premiums written for
11 insurance upon property or risk in this State by each
12 ceding company from which reinsurance is accepted bears to
13 the sum of the total direct premiums written by each such
14 ceding company for the taxable year. The election made by a
15 company under this paragraph for its first taxable year
16 ending on or after December 31, 2011, shall be binding for
17 that company for that taxable year and for all subsequent
18 taxable years, and may be altered only with the written
19 permission of the Department, which shall not be
20 unreasonably withheld.

21 (c) Financial organizations.

22 (1) In general. For taxable years ending before
23 December 31, 2008, business income of a financial
24 organization shall be apportioned to this State by
25 multiplying such income by a fraction, the numerator of
26 which is its business income from sources within this

1 State, and the denominator of which is its business income
2 from all sources. For the purposes of this subsection, the
3 business income of a financial organization from sources
4 within this State is the sum of the amounts referred to in
5 subparagraphs (A) through (E) following, but excluding the
6 adjusted income of an international banking facility as
7 determined in paragraph (2):

8 (A) Fees, commissions or other compensation for
9 financial services rendered within this State;

10 (B) Gross profits from trading in stocks, bonds or
11 other securities managed within this State;

12 (C) Dividends, and interest from Illinois
13 customers, which are received within this State;

14 (D) Interest charged to customers at places of
15 business maintained within this State for carrying
16 debit balances of margin accounts, without deduction
17 of any costs incurred in carrying such accounts; and

18 (E) Any other gross income resulting from the
19 operation as a financial organization within this
20 State. In computing the amounts referred to in
21 paragraphs (A) through (E) of this subsection, any
22 amount received by a member of an affiliated group
23 (determined under Section 1504(a) of the Internal
24 Revenue Code but without reference to whether any such
25 corporation is an "includible corporation" under
26 Section 1504(b) of the Internal Revenue Code) from

1 another member of such group shall be included only to
2 the extent such amount exceeds expenses of the
3 recipient directly related thereto.

4 (2) International Banking Facility. For taxable years
5 ending before December 31, 2008:

6 (A) Adjusted Income. The adjusted income of an
7 international banking facility is its income reduced
8 by the amount of the floor amount.

9 (B) Floor Amount. The floor amount shall be the
10 amount, if any, determined by multiplying the income of
11 the international banking facility by a fraction, not
12 greater than one, which is determined as follows:

13 (i) The numerator shall be:

14 The average aggregate, determined on a
15 quarterly basis, of the financial organization's
16 loans to banks in foreign countries, to foreign
17 domiciled borrowers (except where secured
18 primarily by real estate) and to foreign
19 governments and other foreign official
20 institutions, as reported for its branches,
21 agencies and offices within the state on its
22 "Consolidated Report of Condition", Schedule A,
23 Lines 2.c., 5.b., and 7.a., which was filed with
24 the Federal Deposit Insurance Corporation and
25 other regulatory authorities, for the year 1980,
26 minus

1 The average aggregate, determined on a
2 quarterly basis, of such loans (other than loans of
3 an international banking facility), as reported by
4 the financial institution for its branches,
5 agencies and offices within the state, on the
6 corresponding Schedule and lines of the
7 Consolidated Report of Condition for the current
8 taxable year, provided, however, that in no case
9 shall the amount determined in this clause (the
10 subtrahend) exceed the amount determined in the
11 preceding clause (the minuend); and

12 (ii) the denominator shall be the average
13 aggregate, determined on a quarterly basis, of the
14 international banking facility's loans to banks in
15 foreign countries, to foreign domiciled borrowers
16 (except where secured primarily by real estate)
17 and to foreign governments and other foreign
18 official institutions, which were recorded in its
19 financial accounts for the current taxable year.

20 (C) Change to Consolidated Report of Condition and
21 in Qualification. In the event the Consolidated Report
22 of Condition which is filed with the Federal Deposit
23 Insurance Corporation and other regulatory authorities
24 is altered so that the information required for
25 determining the floor amount is not found on Schedule
26 A, lines 2.c., 5.b. and 7.a., the financial institution

1 shall notify the Department and the Department may, by
2 regulations or otherwise, prescribe or authorize the
3 use of an alternative source for such information. The
4 financial institution shall also notify the Department
5 should its international banking facility fail to
6 qualify as such, in whole or in part, or should there
7 be any amendment or change to the Consolidated Report
8 of Condition, as originally filed, to the extent such
9 amendment or change alters the information used in
10 determining the floor amount.

11 (3) For taxable years ending on or after December 31,
12 2008, the business income of a financial organization shall
13 be apportioned to this State by multiplying such income by
14 a fraction, the numerator of which is its gross receipts
15 from sources in this State or otherwise attributable to
16 this State's marketplace and the denominator of which is
17 its gross receipts everywhere during the taxable year.
18 "Gross receipts" for purposes of this subparagraph (3)
19 means gross income, including net taxable gain on
20 disposition of assets, including securities and money
21 market instruments, when derived from transactions and
22 activities in the regular course of the financial
23 organization's trade or business. The following examples
24 are illustrative:

25 (i) Receipts from the lease or rental of real or
26 tangible personal property are in this State if the

1 property is located in this State during the rental
2 period. Receipts from the lease or rental of tangible
3 personal property that is characteristically moving
4 property, including, but not limited to, motor
5 vehicles, rolling stock, aircraft, vessels, or mobile
6 equipment are from sources in this State to the extent
7 that the property is used in this State.

8 (ii) Interest income, commissions, fees, gains on
9 disposition, and other receipts from assets in the
10 nature of loans that are secured primarily by real
11 estate or tangible personal property are from sources
12 in this State if the security is located in this State.

13 (iii) Interest income, commissions, fees, gains on
14 disposition, and other receipts from consumer loans
15 that are not secured by real or tangible personal
16 property are from sources in this State if the debtor
17 is a resident of this State.

18 (iv) Interest income, commissions, fees, gains on
19 disposition, and other receipts from commercial loans
20 and installment obligations that are not secured by
21 real or tangible personal property are from sources in
22 this State if the proceeds of the loan are to be
23 applied in this State. If it cannot be determined where
24 the funds are to be applied, the income and receipts
25 are from sources in this State if the office of the
26 borrower from which the loan was negotiated in the

1 regular course of business is located in this State. If
2 the location of this office cannot be determined, the
3 income and receipts shall be excluded from the
4 numerator and denominator of the sales factor.

5 (v) Interest income, fees, gains on disposition,
6 service charges, merchant discount income, and other
7 receipts from credit card receivables are from sources
8 in this State if the card charges are regularly billed
9 to a customer in this State.

10 (vi) Receipts from the performance of services,
11 including, but not limited to, fiduciary, advisory,
12 and brokerage services, are in this State if the
13 services are received in this State within the meaning
14 of subparagraph (a) (3) (C-5) (iv) of this Section.

15 (vii) Receipts from the issuance of travelers
16 checks and money orders are from sources in this State
17 if the checks and money orders are issued from a
18 location within this State.

19 (viii) Receipts from investment assets and
20 activities and trading assets and activities are
21 included in the receipts factor as follows:

22 (1) Interest, dividends, net gains (but not
23 less than zero) and other income from investment
24 assets and activities from trading assets and
25 activities shall be included in the receipts
26 factor. Investment assets and activities and

1 trading assets and activities include but are not
2 limited to: investment securities; trading account
3 assets; federal funds; securities purchased and
4 sold under agreements to resell or repurchase;
5 options; futures contracts; forward contracts;
6 notional principal contracts such as swaps;
7 equities; and foreign currency transactions. With
8 respect to the investment and trading assets and
9 activities described in subparagraphs (A) and (B)
10 of this paragraph, the receipts factor shall
11 include the amounts described in such
12 subparagraphs.

13 (A) The receipts factor shall include the
14 amount by which interest from federal funds
15 sold and securities purchased under resale
16 agreements exceeds interest expense on federal
17 funds purchased and securities sold under
18 repurchase agreements.

19 (B) The receipts factor shall include the
20 amount by which interest, dividends, gains and
21 other income from trading assets and
22 activities, including but not limited to
23 assets and activities in the matched book, in
24 the arbitrage book, and foreign currency
25 transactions, exceed amounts paid in lieu of
26 interest, amounts paid in lieu of dividends,

1 and losses from such assets and activities.

2 (2) The numerator of the receipts factor
3 includes interest, dividends, net gains (but not
4 less than zero), and other income from investment
5 assets and activities and from trading assets and
6 activities described in paragraph (1) of this
7 subsection that are attributable to this State.

8 (A) The amount of interest, dividends, net
9 gains (but not less than zero), and other
10 income from investment assets and activities
11 in the investment account to be attributed to
12 this State and included in the numerator is
13 determined by multiplying all such income from
14 such assets and activities by a fraction, the
15 numerator of which is the gross income from
16 such assets and activities which are properly
17 assigned to a fixed place of business of the
18 taxpayer within this State and the denominator
19 of which is the gross income from all such
20 assets and activities.

21 (B) The amount of interest from federal
22 funds sold and purchased and from securities
23 purchased under resale agreements and
24 securities sold under repurchase agreements
25 attributable to this State and included in the
26 numerator is determined by multiplying the

1 amount described in subparagraph (A) of
2 paragraph (1) of this subsection from such
3 funds and such securities by a fraction, the
4 numerator of which is the gross income from
5 such funds and such securities which are
6 properly assigned to a fixed place of business
7 of the taxpayer within this State and the
8 denominator of which is the gross income from
9 all such funds and such securities.

10 (C) The amount of interest, dividends,
11 gains, and other income from trading assets and
12 activities, including but not limited to
13 assets and activities in the matched book, in
14 the arbitrage book and foreign currency
15 transactions (but excluding amounts described
16 in subparagraphs (A) or (B) of this paragraph),
17 attributable to this State and included in the
18 numerator is determined by multiplying the
19 amount described in subparagraph (B) of
20 paragraph (1) of this subsection by a fraction,
21 the numerator of which is the gross income from
22 such trading assets and activities which are
23 properly assigned to a fixed place of business
24 of the taxpayer within this State and the
25 denominator of which is the gross income from
26 all such assets and activities.

1 (D) Properly assigned, for purposes of
2 this paragraph (2) of this subsection, means
3 the investment or trading asset or activity is
4 assigned to the fixed place of business with
5 which it has a preponderance of substantive
6 contacts. An investment or trading asset or
7 activity assigned by the taxpayer to a fixed
8 place of business without the State shall be
9 presumed to have been properly assigned if:

10 (i) the taxpayer has assigned, in the
11 regular course of its business, such asset
12 or activity on its records to a fixed place
13 of business consistent with federal or
14 state regulatory requirements;

15 (ii) such assignment on its records is
16 based upon substantive contacts of the
17 asset or activity to such fixed place of
18 business; and

19 (iii) the taxpayer uses such records
20 reflecting assignment of such assets or
21 activities for the filing of all state and
22 local tax returns for which an assignment
23 of such assets or activities to a fixed
24 place of business is required.

25 (E) The presumption of proper assignment
26 of an investment or trading asset or activity

1 provided in subparagraph (D) of paragraph (2)
2 of this subsection may be rebutted upon a
3 showing by the Department, supported by a
4 preponderance of the evidence, that the
5 preponderance of substantive contacts
6 regarding such asset or activity did not occur
7 at the fixed place of business to which it was
8 assigned on the taxpayer's records. If the
9 fixed place of business that has a
10 preponderance of substantive contacts cannot
11 be determined for an investment or trading
12 asset or activity to which the presumption in
13 subparagraph (D) of paragraph (2) of this
14 subsection does not apply or with respect to
15 which that presumption has been rebutted, that
16 asset or activity is properly assigned to the
17 state in which the taxpayer's commercial
18 domicile is located. For purposes of this
19 subparagraph (E), it shall be presumed,
20 subject to rebuttal, that taxpayer's
21 commercial domicile is in the state of the
22 United States or the District of Columbia to
23 which the greatest number of employees are
24 regularly connected with the management of the
25 investment or trading income or out of which
26 they are working, irrespective of where the

1 services of such employees are performed, as of
2 the last day of the taxable year.

3 (4) (Blank).

4 (5) (Blank).

5 (c-1) Federally regulated exchanges. For taxable years
6 ending on or after December 31, 2012 and ending prior to
7 December 31, 2016, business income of a federally regulated
8 exchange shall, at the option of the federally regulated
9 exchange, be apportioned to this State by multiplying such
10 income by a fraction, the numerator of which is its business
11 income from sources within this State, and the denominator of
12 which is its business income from all sources. For purposes of
13 this subsection, the business income within this State of a
14 federally regulated exchange is the sum of the following:

15 (1) Receipts attributable to transactions executed on
16 a physical trading floor if that physical trading floor is
17 located in this State.

18 (2) Receipts attributable to all other matching,
19 execution, or clearing transactions, including without
20 limitation receipts from the provision of matching,
21 execution, or clearing services to another entity,
22 multiplied by (i) for taxable years ending on or after
23 December 31, 2012 but before December 31, 2013, 63.77%; and
24 (ii) for taxable years ending on or after December 31,
25 2013, 27.54%.

26 (3) All other receipts not governed by subparagraphs

1 (1) or (2) of this subsection (c-1), to the extent the
2 receipts would be characterized as "sales in this State"
3 under item (3) of subsection (a) of this Section.

4 "Federally regulated exchange" means (i) a "registered
5 entity" within the meaning of 7 U.S.C. Section 1a(40) (A), (B),
6 or (C), (ii) an "exchange" or "clearing agency" within the
7 meaning of 15 U.S.C. Section 78c (a) (1) or (23), (iii) any such
8 entities regulated under any successor regulatory structure to
9 the foregoing, and (iv) all taxpayers who are members of the
10 same unitary business group as a federally regulated exchange,
11 determined without regard to the prohibition in Section
12 1501(a) (27) of this Act against including in a unitary business
13 group taxpayers who are ordinarily required to apportion
14 business income under different subsections of this Section;
15 provided that this subparagraph (iv) shall apply only if 50% or
16 more of the business receipts of the unitary business group
17 determined by application of this subparagraph (iv) for the
18 taxable year are attributable to the matching, execution, or
19 clearing of transactions conducted by an entity described in
20 subparagraph (i), (ii), or (iii) of this paragraph.

21 In no event shall the Illinois apportionment percentage
22 computed in accordance with this subsection (c-1) for any
23 taxpayer for any tax year be less than the Illinois
24 apportionment percentage computed under this subsection (c-1)
25 for that taxpayer for the first full tax year ending on or
26 after December 31, 2013 for which this subsection (c-1) applied

1 to the taxpayer.

2 (d) Transportation services. For taxable years ending
3 before December 31, 2008, business income derived from
4 furnishing transportation services shall be apportioned to
5 this State in accordance with paragraphs (1) and (2):

6 (1) Such business income (other than that derived from
7 transportation by pipeline) shall be apportioned to this
8 State by multiplying such income by a fraction, the
9 numerator of which is the revenue miles of the person in
10 this State, and the denominator of which is the revenue
11 miles of the person everywhere. For purposes of this
12 paragraph, a revenue mile is the transportation of 1
13 passenger or 1 net ton of freight the distance of 1 mile
14 for a consideration. Where a person is engaged in the
15 transportation of both passengers and freight, the
16 fraction above referred to shall be determined by means of
17 an average of the passenger revenue mile fraction and the
18 freight revenue mile fraction, weighted to reflect the
19 person's

20 (A) relative railway operating income from total
21 passenger and total freight service, as reported to the
22 Interstate Commerce Commission, in the case of
23 transportation by railroad, and

24 (B) relative gross receipts from passenger and
25 freight transportation, in case of transportation
26 other than by railroad.

1 (2) Such business income derived from transportation
2 by pipeline shall be apportioned to this State by
3 multiplying such income by a fraction, the numerator of
4 which is the revenue miles of the person in this State, and
5 the denominator of which is the revenue miles of the person
6 everywhere. For the purposes of this paragraph, a revenue
7 mile is the transportation by pipeline of 1 barrel of oil,
8 1,000 cubic feet of gas, or of any specified quantity of
9 any other substance, the distance of 1 mile for a
10 consideration.

11 (3) For taxable years ending on or after December 31,
12 2008, business income derived from providing
13 transportation services other than airline services shall
14 be apportioned to this State by using a fraction, (a) the
15 numerator of which shall be (i) all receipts from any
16 movement or shipment of people, goods, mail, oil, gas, or
17 any other substance (other than by airline) that both
18 originates and terminates in this State, plus (ii) that
19 portion of the person's gross receipts from movements or
20 shipments of people, goods, mail, oil, gas, or any other
21 substance (other than by airline) that originates in one
22 state or jurisdiction and terminates in another state or
23 jurisdiction, that is determined by the ratio that the
24 miles traveled in this State bears to total miles
25 everywhere and (b) the denominator of which shall be all
26 revenue derived from the movement or shipment of people,

1 goods, mail, oil, gas, or any other substance (other than
2 by airline). Where a taxpayer is engaged in the
3 transportation of both passengers and freight, the
4 fraction above referred to shall first be determined
5 separately for passenger miles and freight miles. Then an
6 average of the passenger miles fraction and the freight
7 miles fraction shall be weighted to reflect the taxpayer's:

8 (A) relative railway operating income from total
9 passenger and total freight service, as reported to the
10 Surface Transportation Board, in the case of
11 transportation by railroad; and

12 (B) relative gross receipts from passenger and
13 freight transportation, in case of transportation
14 other than by railroad.

15 (4) For taxable years ending on or after December 31,
16 2008, business income derived from furnishing airline
17 transportation services shall be apportioned to this State
18 by multiplying such income by a fraction, the numerator of
19 which is the revenue attributable to take-offs and landings
20 in this State and the denominator of which is the revenue
21 attributable to take-offs and landings everywhere ~~the~~
22 ~~revenue miles of the person in this State, and the~~
23 ~~denominator of which is the revenue miles of the person~~
24 ~~everywhere. For purposes of this paragraph, a revenue mile~~
25 ~~is the transportation of one passenger or one net ton of~~
26 ~~freight the distance of one mile for a consideration. If a~~

1 ~~person is engaged in the transportation of both passengers~~
2 ~~and freight, the fraction above referred to shall be~~
3 ~~determined by means of an average of the passenger revenue~~
4 ~~mile fraction and the freight revenue mile fraction,~~
5 ~~weighted to reflect the person's relative gross receipts~~
6 ~~from passenger and freight airline transportation.~~

7 (e) Combined apportionment. Where 2 or more persons are
8 engaged in a unitary business as described in subsection
9 (a) (27) of Section 1501, a part of which is conducted in this
10 State by one or more members of the group, the business income
11 attributable to this State by any such member or members shall
12 be apportioned by means of the combined apportionment method.

13 (f) Alternative allocation. If the allocation and
14 apportionment provisions of subsections (a) through (e) and of
15 subsection (h) do not, for taxable years ending before December
16 31, 2008, fairly represent the extent of a person's business
17 activity in this State, or, for taxable years ending on or
18 after December 31, 2008, fairly represent the market for the
19 person's goods, services, or other sources of business income,
20 the person may petition for, or the Director may, without a
21 petition, permit or require, in respect of all or any part of
22 the person's business activity, if reasonable:

23 (1) Separate accounting;

24 (2) The exclusion of any one or more factors;

25 (3) The inclusion of one or more additional factors

26 which will fairly represent the person's business

1 activities or market in this State; or

2 (4) The employment of any other method to effectuate an
3 equitable allocation and apportionment of the person's
4 business income.

5 (g) Cross reference. For allocation of business income by
6 residents, see Section 301(a).

7 (h) For tax years ending on or after December 31, 1998, and
8 ending on or before December 31, 2016, the apportionment factor
9 of persons who apportion their business income to this State
10 under subsection (a) shall be equal to:

11 (1) for tax years ending on or after December 31, 1998
12 and before December 31, 1999, 16 2/3% of the property
13 factor plus 16 2/3% of the payroll factor plus 66 2/3% of
14 the sales factor;

15 (2) for tax years ending on or after December 31, 1999
16 and before December 31, 2000, 8 1/3% of the property factor
17 plus 8 1/3% of the payroll factor plus 83 1/3% of the sales
18 factor;

19 (3) for tax years ending on or after December 31, 2000,
20 the sales factor.

21 If, in any tax year ending on or after December 31, 1998 and
22 before December 31, 2000, the denominator of the payroll,
23 property, or sales factor is zero, the apportionment factor
24 computed in paragraph (1) or (2) of this subsection for that
25 year shall be divided by an amount equal to 100% minus the
26 percentage weight given to each factor whose denominator is

1 equal to zero.

2 (Source: P.A. 98-478, eff. 1-1-14; 98-496, eff. 1-1-14; 98-756,
3 eff. 7-16-14; 99-642, eff. 7-28-16.)

4 (35 ILCS 5/309 new)

5 Sec. 309. Water's edge election; inclusion of tax havens.

6 (a) As used in this Section:

7 "Affiliated corporation" means a United States parent
8 corporation and any subsidiary of which more than 50% of
9 the voting stock is owned directly or indirectly by another
10 corporate member of the water's-edge combined group.

11 "United States" means the 50 states of the United
12 States and the District of Columbia.

13 "Water's edge combined group" means all corporations
14 or entities included in the election of a taxpayer under
15 this Section.

16 (b) Notwithstanding any other provisions of law, a taxpayer
17 subject to the taxes imposed under subsections (a) and (b) of
18 Section 201 of this Act may apportion its income under this
19 Section. A return under filed by a taxpayer that elects to
20 apportion its income under this Section must include the income
21 and apportionment factors of the following affiliated
22 corporations only:

23 (1) a corporation incorporated in the United States in
24 a unitary relationship with the taxpayer and eligible to be
25 included in a federal consolidated return as described in

1 26 U.S.C. 1501 through 1505 that has more than 20% of its
2 payroll and property assignable to locations inside the
3 United States; for purposes of determining eligibility for
4 inclusion in a federal consolidated return under this
5 subsection (1)(a), the 80% stock ownership requirements of
6 26 U.S.C. 1504 must be reduced to ownership of over 50% of
7 the voting stock directly or indirectly owned or controlled
8 by an includable corporation;

9 (2) domestic international sales corporations, as
10 described in 26 U.S.C. 991 through 994, and foreign sales
11 corporations, as described in 26 U.S.C. 921 through 927;

12 (3) export trade corporations, as described in 26
13 U.S.C. 970 and 971;

14 (4) foreign corporations deriving gain or loss from
15 disposition of a United States real property interest to
16 the extent recognized under 26 U.S.C. 897;

17 (5) a corporation incorporated outside the United
18 States if over 50% of its voting stock is owned directly or
19 indirectly by the taxpayer and if more than 20% of the
20 average of its payroll and property is assignable to a
21 location inside the United States; or

22 (6) a corporation that is in a unitary relationship
23 with the taxpayer and that is incorporated in a tax haven,
24 including Andorra, Anguilla, Antigua and Barbuda, Aruba,
25 the Bahamas, Bahrain, Barbados, Belize, Bermuda, British
26 Virgin Islands, Cayman Islands, Cook Islands, Cyprus,

1 Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, Isle
2 of Man, Jersey, Liberia, Liechtenstein, Luxembourg, Malta,
3 Marshall Islands, Mauritius, Monaco, Montserrat, Nauru,
4 Netherlands Antilles, Niue, Panama, Samoa, San Marino,
5 Seychelles, St. Kitts and Nevis, St. Lucia, St. Vincent and
6 the Grenadines, Turks and Caicos Islands, U.S. Virgin
7 Islands, and Vanuatu.

8 (c) For purposes of paragraphs (1) through (5) of
9 subsection (b), the location of payroll and property shall be
10 determined under the individual state's laws and regulations
11 that set forth the apportionment formulas used to assign net
12 income subject to taxes on or measured by net income. If a
13 state does not impose a tax on or measured by net income,
14 apportionment is determined under this Act. For the purposes of
15 paragraph (6) of subsection (b), income shifted to a tax haven,
16 to the extent taxable, is considered income subject to
17 apportionment.

18 (d) A water's edge election may be made by a taxpayer and
19 is effective only if every affiliated corporation subject to
20 the taxes imposed under this Act consents to the election.
21 Consent by the common parent of an affiliated group constitutes
22 consent of all members of the group. An affiliated corporation
23 that becomes subject to taxes under this Act after the water's
24 edge election is considered to have consented to the election.
25 The election must disclose the identity of the taxpayer and the
26 identity of any affiliated corporation, including an

1 affiliated corporation incorporated in a tax haven set forth in
2 paragraph (6) of subsection (b), in which the taxpayer owns
3 directly or indirectly more than 50% of the voting stock of the
4 affiliated corporation.

5 (e) Each water's edge election must be for a 3-year
6 renewable period. A water's edge election may be changed by a
7 taxpayer before the end of each 3-year period only with the
8 permission of the Department. In granting a change of election,
9 the Department shall impose reasonable conditions that are
10 necessary to prevent the avoidance of tax or clearly reflect
11 income for the election period prior to the change.

12 (f) For the purposes of this Section, dividends received
13 from corporations incorporated outside the United States, to
14 the extent taxable, are considered income subject to
15 apportionment. The after-tax net income of United States
16 corporations excluded from eligibility as affiliated
17 corporations under this Section and possession corporations
18 described in sections 931 through 934 and 936 of the Internal
19 Revenue Code are considered dividends received from
20 corporations incorporated outside the United States. Eighty
21 percent of all dividends apportionable under this Section must
22 be excluded from income subject to apportionment. "Deemed"
23 distributions, as set forth in section 78 of the Internal
24 Revenue Code, and corresponding amounts with respect to
25 dividends considered received under this subsection must be
26 excluded from the income of the water's-edge combined group.

1 The dividends apportionable under this subsection are in lieu
2 of any expenses attributable to dividend income. A dividend
3 from a corporation required to be combined in the water's edge
4 combined group must be eliminated from the calculation of
5 apportionable income.

6 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

7 Sec. 901. Collection authority.

8 (a) In general.

9 The Department shall collect the taxes imposed by this Act.
10 The Department shall collect certified past due child support
11 amounts under Section 2505-650 of the Department of Revenue Law
12 (20 ILCS 2505/2505-650). Except as provided in subsections (c),
13 (e), (f), (g), and (h) of this Section, money collected
14 pursuant to subsections (a) and (b) of Section 201 of this Act
15 shall be paid into the General Revenue Fund in the State
16 treasury; money collected pursuant to subsections (c) and (d)
17 of Section 201 of this Act shall be paid into the Personal
18 Property Tax Replacement Fund, a special fund in the State
19 Treasury; and money collected under Section 2505-650 of the
20 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid
21 into the Child Support Enforcement Trust Fund, a special fund
22 outside the State Treasury, or to the State Disbursement Unit
23 established under Section 10-26 of the Illinois Public Aid
24 Code, as directed by the Department of Healthcare and Family
25 Services.

1 (b) Local Government Distributive Fund.

2 Beginning August 1, 1969, and continuing through June 30,
3 1994, the Treasurer shall transfer each month from the General
4 Revenue Fund to a special fund in the State treasury, to be
5 known as the "Local Government Distributive Fund", an amount
6 equal to 1/12 of the net revenue realized from the tax imposed
7 by subsections (a) and (b) of Section 201 of this Act during
8 the preceding month. Beginning July 1, 1994, and continuing
9 through June 30, 1995, the Treasurer shall transfer each month
10 from the General Revenue Fund to the Local Government
11 Distributive Fund an amount equal to 1/11 of the net revenue
12 realized from the tax imposed by subsections (a) and (b) of
13 Section 201 of this Act during the preceding month. Beginning
14 July 1, 1995 and continuing through January 31, 2011, the
15 Treasurer shall transfer each month from the General Revenue
16 Fund to the Local Government Distributive Fund an amount equal
17 to the net of (i) 1/10 of the net revenue realized from the tax
18 imposed by subsections (a) and (b) of Section 201 of the
19 Illinois Income Tax Act during the preceding month (ii) minus,
20 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,
21 and beginning July 1, 2004, zero. Beginning February 1, 2011,
22 and continuing through January 31, 2015, the Treasurer shall
23 transfer each month from the General Revenue Fund to the Local
24 Government Distributive Fund an amount equal to the sum of (i)
25 6% (10% of the ratio of the 3% individual income tax rate prior
26 to 2011 to the 5% individual income tax rate after 2010) of the

1 net revenue realized from the tax imposed by subsections (a)
2 and (b) of Section 201 of this Act upon individuals, trusts,
3 and estates during the preceding month and (ii) 6.86% (10% of
4 the ratio of the 4.8% corporate income tax rate prior to 2011
5 to the 7% corporate income tax rate after 2010) of the net
6 revenue realized from the tax imposed by subsections (a) and
7 (b) of Section 201 of this Act upon corporations during the
8 preceding month. Beginning February 1, 2015 and continuing
9 through January 31, 2016 ~~January 31, 2025~~, the Treasurer shall
10 transfer each month from the General Revenue Fund to the Local
11 Government Distributive Fund an amount equal to the sum of (i)
12 8% (10% of the ratio of the 3% individual income tax rate prior
13 to 2011 to the 3.75% individual income tax rate after 2014) of
14 the net revenue realized from the tax imposed by subsections
15 (a) and (b) of Section 201 of this Act upon individuals,
16 trusts, and estates during the preceding month and (ii) 9.14%
17 (10% of the ratio of the 4.8% corporate income tax rate prior
18 to 2011 to the 5.25% corporate income tax rate after 2014) of
19 the net revenue realized from the tax imposed by subsections
20 (a) and (b) of Section 201 of this Act upon corporations during
21 the preceding month. Beginning February 1, 2016 ~~February 1,~~
22 ~~2025~~, the Treasurer shall transfer each month from the General
23 Revenue Fund to the Local Government Distributive Fund an
24 amount equal to the sum of (i) 8% (10% of the ratio of the 3%
25 individual income tax rate prior to 2011 to the 3.75%
26 individual income tax rate after 2014) ~~9.23% (10% of the ratio~~

1 ~~of the 3% individual income tax rate prior to 2011 to the 3.25%~~
2 ~~individual income tax rate after 2024)~~ of the net revenue
3 realized from the tax imposed by subsections (a) and (b) of
4 Section 201 of this Act upon individuals, trusts, and estates
5 during the preceding month and (ii) 10% of the net revenue
6 realized from the tax imposed by subsections (a) and (b) of
7 Section 201 of this Act upon corporations during the preceding
8 month. Net revenue realized for a month shall be defined as the
9 revenue from the tax imposed by subsections (a) and (b) of
10 Section 201 of this Act which is deposited in the General
11 Revenue Fund, the Education Assistance Fund, the Income Tax
12 Surcharge Local Government Distributive Fund, the Fund for the
13 Advancement of Education, and the Commitment to Human Services
14 Fund during the month minus the amount paid out of the General
15 Revenue Fund in State warrants during that same month as
16 refunds to taxpayers for overpayment of liability under the tax
17 imposed by subsections (a) and (b) of Section 201 of this Act.

18 Beginning on August 26, 2014 (the effective date of Public
19 Act 98-1052), the Comptroller shall perform the transfers
20 required by this subsection (b) no later than 60 days after he
21 or she receives the certification from the Treasurer as
22 provided in Section 1 of the State Revenue Sharing Act.

23 (c) Deposits Into Income Tax Refund Fund.

24 (1) Beginning on January 1, 1989 and thereafter, the
25 Department shall deposit a percentage of the amounts
26 collected pursuant to subsections (a) and (b)(1), (2), and

1 (3), of Section 201 of this Act into a fund in the State
2 treasury known as the Income Tax Refund Fund. The
3 Department shall deposit 6% of such amounts during the
4 period beginning January 1, 1989 and ending on June 30,
5 1989. Beginning with State fiscal year 1990 and for each
6 fiscal year thereafter, the percentage deposited into the
7 Income Tax Refund Fund during a fiscal year shall be the
8 Annual Percentage. For fiscal years 1999 through 2001, the
9 Annual Percentage shall be 7.1%. For fiscal year 2003, the
10 Annual Percentage shall be 8%. For fiscal year 2004, the
11 Annual Percentage shall be 11.7%. Upon the effective date
12 of this amendatory Act of the 93rd General Assembly, the
13 Annual Percentage shall be 10% for fiscal year 2005. For
14 fiscal year 2006, the Annual Percentage shall be 9.75%. For
15 fiscal year 2007, the Annual Percentage shall be 9.75%. For
16 fiscal year 2008, the Annual Percentage shall be 7.75%. For
17 fiscal year 2009, the Annual Percentage shall be 9.75%. For
18 fiscal year 2010, the Annual Percentage shall be 9.75%. For
19 fiscal year 2011, the Annual Percentage shall be 8.75%. For
20 fiscal year 2012, the Annual Percentage shall be 8.75%. For
21 fiscal year 2013, the Annual Percentage shall be 9.75%. For
22 fiscal year 2014, the Annual Percentage shall be 9.5%. For
23 fiscal year 2015, the Annual Percentage shall be 10%. For
24 all other fiscal years, the Annual Percentage shall be
25 calculated as a fraction, the numerator of which shall be
26 the amount of refunds approved for payment by the

1 Department during the preceding fiscal year as a result of
2 overpayment of tax liability under subsections (a) and
3 (b) (1), (2), and (3) of Section 201 of this Act plus the
4 amount of such refunds remaining approved but unpaid at the
5 end of the preceding fiscal year, minus the amounts
6 transferred into the Income Tax Refund Fund from the
7 Tobacco Settlement Recovery Fund, and the denominator of
8 which shall be the amounts which will be collected pursuant
9 to subsections (a) and (b) (1), (2), and (3) of Section 201
10 of this Act during the preceding fiscal year; except that
11 in State fiscal year 2002, the Annual Percentage shall in
12 no event exceed 7.6%. The Director of Revenue shall certify
13 the Annual Percentage to the Comptroller on the last
14 business day of the fiscal year immediately preceding the
15 fiscal year for which it is to be effective.

16 (2) Beginning on January 1, 1989 and thereafter, the
17 Department shall deposit a percentage of the amounts
18 collected pursuant to subsections (a) and (b) (6), (7), and
19 (8), (c) and (d) of Section 201 of this Act into a fund in
20 the State treasury known as the Income Tax Refund Fund. The
21 Department shall deposit 18% of such amounts during the
22 period beginning January 1, 1989 and ending on June 30,
23 1989. Beginning with State fiscal year 1990 and for each
24 fiscal year thereafter, the percentage deposited into the
25 Income Tax Refund Fund during a fiscal year shall be the
26 Annual Percentage. For fiscal years 1999, 2000, and 2001,

1 the Annual Percentage shall be 19%. For fiscal year 2003,
2 the Annual Percentage shall be 27%. For fiscal year 2004,
3 the Annual Percentage shall be 32%. Upon the effective date
4 of this amendatory Act of the 93rd General Assembly, the
5 Annual Percentage shall be 24% for fiscal year 2005. For
6 fiscal year 2006, the Annual Percentage shall be 20%. For
7 fiscal year 2007, the Annual Percentage shall be 17.5%. For
8 fiscal year 2008, the Annual Percentage shall be 15.5%. For
9 fiscal year 2009, the Annual Percentage shall be 17.5%. For
10 fiscal year 2010, the Annual Percentage shall be 17.5%. For
11 fiscal year 2011, the Annual Percentage shall be 17.5%. For
12 fiscal year 2012, the Annual Percentage shall be 17.5%. For
13 fiscal year 2013, the Annual Percentage shall be 14%. For
14 fiscal year 2014, the Annual Percentage shall be 13.4%. For
15 fiscal year 2015, the Annual Percentage shall be 14%. For
16 all other fiscal years, the Annual Percentage shall be
17 calculated as a fraction, the numerator of which shall be
18 the amount of refunds approved for payment by the
19 Department during the preceding fiscal year as a result of
20 overpayment of tax liability under subsections (a) and
21 (b) (6), (7), and (8), (c) and (d) of Section 201 of this
22 Act plus the amount of such refunds remaining approved but
23 unpaid at the end of the preceding fiscal year, and the
24 denominator of which shall be the amounts which will be
25 collected pursuant to subsections (a) and (b) (6), (7), and
26 (8), (c) and (d) of Section 201 of this Act during the

1 preceding fiscal year; except that in State fiscal year
2 2002, the Annual Percentage shall in no event exceed 23%.
3 The Director of Revenue shall certify the Annual Percentage
4 to the Comptroller on the last business day of the fiscal
5 year immediately preceding the fiscal year for which it is
6 to be effective.

7 (3) The Comptroller shall order transferred and the
8 Treasurer shall transfer from the Tobacco Settlement
9 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000
10 in January, 2001, (ii) \$35,000,000 in January, 2002, and
11 (iii) \$35,000,000 in January, 2003.

12 (d) Expenditures from Income Tax Refund Fund.

13 (1) Beginning January 1, 1989, money in the Income Tax
14 Refund Fund shall be expended exclusively for the purpose
15 of paying refunds resulting from overpayment of tax
16 liability under Section 201 of this Act, for paying rebates
17 under Section 208.1 in the event that the amounts in the
18 Homeowners' Tax Relief Fund are insufficient for that
19 purpose, and for making transfers pursuant to this
20 subsection (d).

21 (2) The Director shall order payment of refunds
22 resulting from overpayment of tax liability under Section
23 201 of this Act from the Income Tax Refund Fund only to the
24 extent that amounts collected pursuant to Section 201 of
25 this Act and transfers pursuant to this subsection (d) and
26 item (3) of subsection (c) have been deposited and retained

1 in the Fund.

2 (3) As soon as possible after the end of each fiscal
3 year, the Director shall order transferred and the State
4 Treasurer and State Comptroller shall transfer from the
5 Income Tax Refund Fund to the Personal Property Tax
6 Replacement Fund an amount, certified by the Director to
7 the Comptroller, equal to the excess of the amount
8 collected pursuant to subsections (c) and (d) of Section
9 201 of this Act deposited into the Income Tax Refund Fund
10 during the fiscal year over the amount of refunds resulting
11 from overpayment of tax liability under subsections (c) and
12 (d) of Section 201 of this Act paid from the Income Tax
13 Refund Fund during the fiscal year.

14 (4) As soon as possible after the end of each fiscal
15 year, the Director shall order transferred and the State
16 Treasurer and State Comptroller shall transfer from the
17 Personal Property Tax Replacement Fund to the Income Tax
18 Refund Fund an amount, certified by the Director to the
19 Comptroller, equal to the excess of the amount of refunds
20 resulting from overpayment of tax liability under
21 subsections (c) and (d) of Section 201 of this Act paid
22 from the Income Tax Refund Fund during the fiscal year over
23 the amount collected pursuant to subsections (c) and (d) of
24 Section 201 of this Act deposited into the Income Tax
25 Refund Fund during the fiscal year.

26 (4.5) As soon as possible after the end of fiscal year

1 1999 and of each fiscal year thereafter, the Director shall
2 order transferred and the State Treasurer and State
3 Comptroller shall transfer from the Income Tax Refund Fund
4 to the General Revenue Fund any surplus remaining in the
5 Income Tax Refund Fund as of the end of such fiscal year;
6 excluding for fiscal years 2000, 2001, and 2002 amounts
7 attributable to transfers under item (3) of subsection (c)
8 less refunds resulting from the earned income tax credit.

9 (5) This Act shall constitute an irrevocable and
10 continuing appropriation from the Income Tax Refund Fund
11 for the purpose of paying refunds upon the order of the
12 Director in accordance with the provisions of this Section.

13 (e) Deposits into the Education Assistance Fund and the
14 Income Tax Surcharge Local Government Distributive Fund.

15 On July 1, 1991, and thereafter, of the amounts collected
16 pursuant to subsections (a) and (b) of Section 201 of this Act,
17 minus deposits into the Income Tax Refund Fund, the Department
18 shall deposit 7.3% into the Education Assistance Fund in the
19 State Treasury. Beginning July 1, 1991, and continuing through
20 January 31, 1993, of the amounts collected pursuant to
21 subsections (a) and (b) of Section 201 of the Illinois Income
22 Tax Act, minus deposits into the Income Tax Refund Fund, the
23 Department shall deposit 3.0% into the Income Tax Surcharge
24 Local Government Distributive Fund in the State Treasury.
25 Beginning February 1, 1993 and continuing through June 30,
26 1993, of the amounts collected pursuant to subsections (a) and

1 (b) of Section 201 of the Illinois Income Tax Act, minus
2 deposits into the Income Tax Refund Fund, the Department shall
3 deposit 4.4% into the Income Tax Surcharge Local Government
4 Distributive Fund in the State Treasury. Beginning July 1,
5 1993, and continuing through June 30, 1994, of the amounts
6 collected under subsections (a) and (b) of Section 201 of this
7 Act, minus deposits into the Income Tax Refund Fund, the
8 Department shall deposit 1.475% into the Income Tax Surcharge
9 Local Government Distributive Fund in the State Treasury.

10 (f) Deposits into the Fund for the Advancement of
11 Education. Beginning February 1, 2015, the Department shall
12 deposit the following portions of the revenue realized from the
13 tax imposed upon individuals, trusts, and estates by
14 subsections (a) and (b) of Section 201 of this Act during the
15 preceding month, minus deposits into the Income Tax Refund
16 Fund, into the Fund for the Advancement of Education:

17 (1) beginning February 1, 2015, and prior to February
18 1, 2025, 1/30; and

19 (2) beginning February 1, 2025, 1/26.

20 If the rate of tax imposed by subsection (a) and (b) of
21 Section 201 is reduced pursuant to Section 201.5 of this Act,
22 the Department shall not make the deposits required by this
23 subsection (f) on or after the effective date of the reduction.

24 (g) Deposits into the Commitment to Human Services Fund.
25 Beginning February 1, 2015, the Department shall deposit the
26 following portions of the revenue realized from the tax imposed

1 upon individuals, trusts, and estates by subsections (a) and
2 (b) of Section 201 of this Act during the preceding month,
3 minus deposits into the Income Tax Refund Fund, into the
4 Commitment to Human Services Fund:

5 (1) beginning February 1, 2015, and prior to February
6 1, 2025, 1/30; and

7 (2) beginning February 1, 2025, 1/26.

8 If the rate of tax imposed by subsection (a) and (b) of
9 Section 201 is reduced pursuant to Section 201.5 of this Act,
10 the Department shall not make the deposits required by this
11 subsection (g) on or after the effective date of the reduction.

12 (h) Deposits into the Tax Compliance and Administration
13 Fund. Beginning on the first day of the first calendar month to
14 occur on or after August 26, 2014 (the effective date of Public
15 Act 98-1098), each month the Department shall pay into the Tax
16 Compliance and Administration Fund, to be used, subject to
17 appropriation, to fund additional auditors and compliance
18 personnel at the Department, an amount equal to 1/12 of 5% of
19 the cash receipts collected during the preceding fiscal year by
20 the Audit Bureau of the Department from the tax imposed by
21 subsections (a), (b), (c), and (d) of Section 201 of this Act,
22 net of deposits into the Income Tax Refund Fund made from those
23 cash receipts.

24 (Source: P.A. 98-24, eff. 6-19-13; 98-674, eff. 6-30-14;
25 98-1052, eff. 8-26-14; 98-1098, eff. 8-26-14; 99-78, eff.
26 7-20-15.)

1 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

2 Sec. 1501. Definitions.

3 (a) In general. When used in this Act, where not otherwise
4 distinctly expressed or manifestly incompatible with the
5 intent thereof:

6 (1) Business income. The term "business income" means
7 all income that may be treated as apportionable business
8 income under the Constitution of the United States.
9 Business income is net of the deductions allocable thereto.
10 Such term does not include compensation or the deductions
11 allocable thereto. For each taxable year beginning on or
12 after January 1, 2003, a taxpayer may elect to treat all
13 income other than compensation as business income. This
14 election shall be made in accordance with rules adopted by
15 the Department and, once made, shall be irrevocable.

16 (1.5) Captive real estate investment trust:

17 (A) The term "captive real estate investment
18 trust" means a corporation, trust, or association:

19 (i) that is considered a real estate
20 investment trust for the taxable year under
21 Section 856 of the Internal Revenue Code;

22 (ii) the certificates of beneficial interest
23 or shares of which are not regularly traded on an
24 established securities market; and

25 (iii) of which more than 50% of the voting

1 power or value of the beneficial interest or
2 shares, at any time during the last half of the
3 taxable year, is owned or controlled, directly,
4 indirectly, or constructively, by a single
5 corporation.

6 (B) The term "captive real estate investment
7 trust" does not include:

8 (i) a real estate investment trust of which
9 more than 50% of the voting power or value of the
10 beneficial interest or shares is owned or
11 controlled, directly, indirectly, or
12 constructively, by:

13 (a) a real estate investment trust, other
14 than a captive real estate investment trust;

15 (b) a person who is exempt from taxation
16 under Section 501 of the Internal Revenue Code,
17 and who is not required to treat income
18 received from the real estate investment trust
19 as unrelated business taxable income under
20 Section 512 of the Internal Revenue Code;

21 (c) a listed Australian property trust, if
22 no more than 50% of the voting power or value
23 of the beneficial interest or shares of that
24 trust, at any time during the last half of the
25 taxable year, is owned or controlled, directly
26 or indirectly, by a single person;

1 (d) an entity organized as a trust,
2 provided a listed Australian property trust
3 described in subparagraph (c) owns or
4 controls, directly or indirectly, or
5 constructively, 75% or more of the voting power
6 or value of the beneficial interests or shares
7 of such entity; or

8 (e) an entity that is organized outside of
9 the laws of the United States and that
10 satisfies all of the following criteria:

11 (1) at least 75% of the entity's total
12 asset value at the close of its taxable
13 year is represented by real estate assets
14 (as defined in Section 856(c)(5)(B) of the
15 Internal Revenue Code, thereby including
16 shares or certificates of beneficial
17 interest in any real estate investment
18 trust), cash and cash equivalents, and
19 U.S. Government securities;

20 (2) the entity is not subject to tax on
21 amounts that are distributed to its
22 beneficial owners or is exempt from
23 entity-level taxation;

24 (3) the entity distributes at least
25 85% of its taxable income (as computed in
26 the jurisdiction in which it is organized)

1 to the holders of its shares or
2 certificates of beneficial interest on an
3 annual basis;

4 (4) either (i) the shares or
5 beneficial interests of the entity are
6 regularly traded on an established
7 securities market or (ii) not more than 10%
8 of the voting power or value in the entity
9 is held, directly, indirectly, or
10 constructively, by a single entity or
11 individual; and

12 (5) the entity is organized in a
13 country that has entered into a tax treaty
14 with the United States; or

15 (ii) during its first taxable year for which it
16 elects to be treated as a real estate investment
17 trust under Section 856(c)(1) of the Internal
18 Revenue Code, a real estate investment trust the
19 certificates of beneficial interest or shares of
20 which are not regularly traded on an established
21 securities market, but only if the certificates of
22 beneficial interest or shares of the real estate
23 investment trust are regularly traded on an
24 established securities market prior to the earlier
25 of the due date (including extensions) for filing
26 its return under this Act for that first taxable

1 year or the date it actually files that return.

2 (C) For the purposes of this subsection (1.5), the
3 constructive ownership rules prescribed under Section
4 318(a) of the Internal Revenue Code, as modified by
5 Section 856(d)(5) of the Internal Revenue Code, apply
6 in determining the ownership of stock, assets, or net
7 profits of any person.

8 (D) For the purposes of this item (1.5), for
9 taxable years ending on or after August 16, 2007, the
10 voting power or value of the beneficial interest or
11 shares of a real estate investment trust does not
12 include any voting power or value of beneficial
13 interest or shares in a real estate investment trust
14 held directly or indirectly in a segregated asset
15 account by a life insurance company (as described in
16 Section 817 of the Internal Revenue Code) to the extent
17 such voting power or value is for the benefit of
18 entities or persons who are either immune from taxation
19 or exempt from taxation under subtitle A of the
20 Internal Revenue Code.

21 (2) Commercial domicile. The term "commercial
22 domicile" means the principal place from which the trade or
23 business of the taxpayer is directed or managed.

24 (3) Compensation. The term "compensation" means wages,
25 salaries, commissions and any other form of remuneration
26 paid to employees for personal services.

1 (4) Corporation. The term "corporation" includes
2 associations, joint-stock companies, insurance companies
3 and cooperatives. Any entity, including a limited
4 liability company formed under the Illinois Limited
5 Liability Company Act, shall be treated as a corporation if
6 it is so classified for federal income tax purposes.

7 (5) Department. The term "Department" means the
8 Department of Revenue of this State.

9 (6) Director. The term "Director" means the Director of
10 Revenue of this State.

11 (7) Fiduciary. The term "fiduciary" means a guardian,
12 trustee, executor, administrator, receiver, or any person
13 acting in any fiduciary capacity for any person.

14 (8) Financial organization.

15 (A) The term "financial organization" means any
16 bank, bank holding company, trust company, savings
17 bank, industrial bank, land bank, safe deposit
18 company, private banker, savings and loan association,
19 building and loan association, credit union, currency
20 exchange, cooperative bank, small loan company, sales
21 finance company, investment company, or any person
22 which is owned by a bank or bank holding company. For
23 the purpose of this Section a "person" will include
24 only those persons which a bank holding company may
25 acquire and hold an interest in, directly or
26 indirectly, under the provisions of the Bank Holding

1 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
2 where interests in any person must be disposed of
3 within certain required time limits under the Bank
4 Holding Company Act of 1956.

5 (B) For purposes of subparagraph (A) of this
6 paragraph, the term "bank" includes (i) any entity that
7 is regulated by the Comptroller of the Currency under
8 the National Bank Act, or by the Federal Reserve Board,
9 or by the Federal Deposit Insurance Corporation and
10 (ii) any federally or State chartered bank operating as
11 a credit card bank.

12 (C) For purposes of subparagraph (A) of this
13 paragraph, the term "sales finance company" has the
14 meaning provided in the following item (i) or (ii):

15 (i) A person primarily engaged in one or more
16 of the following businesses: the business of
17 purchasing customer receivables, the business of
18 making loans upon the security of customer
19 receivables, the business of making loans for the
20 express purpose of funding purchases of tangible
21 personal property or services by the borrower, or
22 the business of finance leasing. For purposes of
23 this item (i), "customer receivable" means:

24 (a) a retail installment contract or
25 retail charge agreement within the meaning of
26 the Sales Finance Agency Act, the Retail

1 Installment Sales Act, or the Motor Vehicle
2 Retail Installment Sales Act;

3 (b) an installment, charge, credit, or
4 similar contract or agreement arising from the
5 sale of tangible personal property or services
6 in a transaction involving a deferred payment
7 price payable in one or more installments
8 subsequent to the sale; or

9 (c) the outstanding balance of a contract
10 or agreement described in provisions (a) or (b)
11 of this item (i).

12 A customer receivable need not provide for
13 payment of interest on deferred payments. A sales
14 finance company may purchase a customer receivable
15 from, or make a loan secured by a customer
16 receivable to, the seller in the original
17 transaction or to a person who purchased the
18 customer receivable directly or indirectly from
19 that seller.

20 (ii) A corporation meeting each of the
21 following criteria:

22 (a) the corporation must be a member of an
23 "affiliated group" within the meaning of
24 Section 1504(a) of the Internal Revenue Code,
25 determined without regard to Section 1504(b)
26 of the Internal Revenue Code;

1 (b) more than 50% of the gross income of
2 the corporation for the taxable year must be
3 interest income derived from qualifying loans.
4 A "qualifying loan" is a loan made to a member
5 of the corporation's affiliated group that
6 originates customer receivables (within the
7 meaning of item (i)) or to whom customer
8 receivables originated by a member of the
9 affiliated group have been transferred, to the
10 extent the average outstanding balance of
11 loans from that corporation to members of its
12 affiliated group during the taxable year do not
13 exceed the limitation amount for that
14 corporation. The "limitation amount" for a
15 corporation is the average outstanding
16 balances during the taxable year of customer
17 receivables (within the meaning of item (i))
18 originated by all members of the affiliated
19 group. If the average outstanding balances of
20 the loans made by a corporation to members of
21 its affiliated group exceed the limitation
22 amount, the interest income of that
23 corporation from qualifying loans shall be
24 equal to its interest income from loans to
25 members of its affiliated groups times a
26 fraction equal to the limitation amount

1 divided by the average outstanding balances of
2 the loans made by that corporation to members
3 of its affiliated group;

4 (c) the total of all shareholder's equity
5 (including, without limitation, paid-in
6 capital on common and preferred stock and
7 retained earnings) of the corporation plus the
8 total of all of its loans, advances, and other
9 obligations payable or owed to members of its
10 affiliated group may not exceed 20% of the
11 total assets of the corporation at any time
12 during the tax year; and

13 (d) more than 50% of all interest-bearing
14 obligations of the affiliated group payable to
15 persons outside the group determined in
16 accordance with generally accepted accounting
17 principles must be obligations of the
18 corporation.

19 This amendatory Act of the 91st General Assembly is
20 declaratory of existing law.

21 (D) Subparagraphs (B) and (C) of this paragraph are
22 declaratory of existing law and apply retroactively,
23 for all tax years beginning on or before December 31,
24 1996, to all original returns, to all amended returns
25 filed no later than 30 days after the effective date of
26 this amendatory Act of 1996, and to all notices issued

1 on or before the effective date of this amendatory Act
2 of 1996 under subsection (a) of Section 903, subsection
3 (a) of Section 904, subsection (e) of Section 909, or
4 Section 912. A taxpayer that is a "financial
5 organization" that engages in any transaction with an
6 affiliate shall be a "financial organization" for all
7 purposes of this Act.

8 (E) For all tax years beginning on or before
9 December 31, 1996, a taxpayer that falls within the
10 definition of a "financial organization" under
11 subparagraphs (B) or (C) of this paragraph, but who
12 does not fall within the definition of a "financial
13 organization" under the Proposed Regulations issued by
14 the Department of Revenue on July 19, 1996, may
15 irrevocably elect to apply the Proposed Regulations
16 for all of those years as though the Proposed
17 Regulations had been lawfully promulgated, adopted,
18 and in effect for all of those years. For purposes of
19 applying subparagraphs (B) or (C) of this paragraph to
20 all of those years, the election allowed by this
21 subparagraph applies only to the taxpayer making the
22 election and to those members of the taxpayer's unitary
23 business group who are ordinarily required to
24 apportion business income under the same subsection of
25 Section 304 of this Act as the taxpayer making the
26 election. No election allowed by this subparagraph

1 shall be made under a claim filed under subsection (d)
2 of Section 909 more than 30 days after the effective
3 date of this amendatory Act of 1996.

4 (F) Finance Leases. For purposes of this
5 subsection, a finance lease shall be treated as a loan
6 or other extension of credit, rather than as a lease,
7 regardless of how the transaction is characterized for
8 any other purpose, including the purposes of any
9 regulatory agency to which the lessor is subject. A
10 finance lease is any transaction in the form of a lease
11 in which the lessee is treated as the owner of the
12 leased asset entitled to any deduction for
13 depreciation allowed under Section 167 of the Internal
14 Revenue Code.

15 (9) Fiscal year. The term "fiscal year" means an
16 accounting period of 12 months ending on the last day of
17 any month other than December.

18 (9.5) Fixed place of business. The term "fixed place of
19 business" has the same meaning as that term is given in
20 Section 864 of the Internal Revenue Code and the related
21 Treasury regulations.

22 (10) Includes and including. The terms "includes" and
23 "including" when used in a definition contained in this Act
24 shall not be deemed to exclude other things otherwise
25 within the meaning of the term defined.

26 (11) Internal Revenue Code. The term "Internal Revenue

1 Code" means the United States Internal Revenue Code of 1954
2 or any successor law or laws relating to federal income
3 taxes in effect for the taxable year.

4 (11.5) Investment partnership.

5 (A) The term "investment partnership" means any
6 entity that is treated as a partnership for federal
7 income tax purposes that meets the following
8 requirements:

9 (i) no less than 90% of the partnership's cost
10 of its total assets consists of qualifying
11 investment securities, deposits at banks or other
12 financial institutions, and office space and
13 equipment reasonably necessary to carry on its
14 activities as an investment partnership;

15 (ii) no less than 90% of its gross income
16 consists of interest, dividends, and gains from
17 the sale or exchange of qualifying investment
18 securities; and

19 (iii) the partnership is not a dealer in
20 qualifying investment securities.

21 (B) For purposes of this paragraph (11.5), the term
22 "qualifying investment securities" includes all of the
23 following:

24 (i) common stock, including preferred or debt
25 securities convertible into common stock, and
26 preferred stock;

1 (ii) bonds, debentures, and other debt
2 securities;

3 (iii) foreign and domestic currency deposits
4 secured by federal, state, or local governmental
5 agencies;

6 (iv) mortgage or asset-backed securities
7 secured by federal, state, or local governmental
8 agencies;

9 (v) repurchase agreements and loan
10 participations;

11 (vi) foreign currency exchange contracts and
12 forward and futures contracts on foreign
13 currencies;

14 (vii) stock and bond index securities and
15 futures contracts and other similar financial
16 securities and futures contracts on those
17 securities;

18 (viii) options for the purchase or sale of any
19 of the securities, currencies, contracts, or
20 financial instruments described in items (i) to
21 (vii), inclusive;

22 (ix) regulated futures contracts;

23 (x) commodities (not described in Section
24 1221(a)(1) of the Internal Revenue Code) or
25 futures, forwards, and options with respect to
26 such commodities, provided, however, that any item

1 of a physical commodity to which title is actually
2 acquired in the partnership's capacity as a dealer
3 in such commodity shall not be a qualifying
4 investment security;

5 (xi) derivatives; and

6 (xii) a partnership interest in another
7 partnership that is an investment partnership.

8 (12) Mathematical error. The term "mathematical error"
9 includes the following types of errors, omissions, or
10 defects in a return filed by a taxpayer which prevents
11 acceptance of the return as filed for processing:

12 (A) arithmetic errors or incorrect computations on
13 the return or supporting schedules;

14 (B) entries on the wrong lines;

15 (C) omission of required supporting forms or
16 schedules or the omission of the information in whole
17 or in part called for thereon; and

18 (D) an attempt to claim, exclude, deduct, or
19 improperly report, in a manner directly contrary to the
20 provisions of the Act and regulations thereunder any
21 item of income, exemption, deduction, or credit.

22 (13) Nonbusiness income. The term "nonbusiness income"
23 means all income other than business income or
24 compensation.

25 (14) Nonresident. The term "nonresident" means a
26 person who is not a resident.

1 (15) Paid, incurred and accrued. The terms "paid",
2 "incurred" and "accrued" shall be construed according to
3 the method of accounting upon the basis of which the
4 person's base income is computed under this Act.

5 (16) Partnership and partner. The term "partnership"
6 includes a syndicate, group, pool, joint venture or other
7 unincorporated organization, through or by means of which
8 any business, financial operation, or venture is carried
9 on, and which is not, within the meaning of this Act, a
10 trust or estate or a corporation; and the term "partner"
11 includes a member in such syndicate, group, pool, joint
12 venture or organization.

13 The term "partnership" includes any entity, including
14 a limited liability company formed under the Illinois
15 Limited Liability Company Act, classified as a partnership
16 for federal income tax purposes.

17 The term "partnership" does not include a syndicate,
18 group, pool, joint venture, or other unincorporated
19 organization established for the sole purpose of playing
20 the Illinois State Lottery.

21 (17) Part-year resident. The term "part-year resident"
22 means an individual who became a resident during the
23 taxable year or ceased to be a resident during the taxable
24 year. Under Section 1501(a)(20)(A)(i) residence commences
25 with presence in this State for other than a temporary or
26 transitory purpose and ceases with absence from this State

1 for other than a temporary or transitory purpose. Under
2 Section 1501(a)(20)(A)(ii) residence commences with the
3 establishment of domicile in this State and ceases with the
4 establishment of domicile in another State.

5 (18) Person. The term "person" shall be construed to
6 mean and include an individual, a trust, estate,
7 partnership, association, firm, company, corporation,
8 limited liability company, or fiduciary. For purposes of
9 Section 1301 and 1302 of this Act, a "person" means (i) an
10 individual, (ii) a corporation, (iii) an officer, agent, or
11 employee of a corporation, (iv) a member, agent or employee
12 of a partnership, or (v) a member, manager, employee,
13 officer, director, or agent of a limited liability company
14 who in such capacity commits an offense specified in
15 Section 1301 and 1302.

16 (18A) Records. The term "records" includes all data
17 maintained by the taxpayer, whether on paper, microfilm,
18 microfiche, or any type of machine-sensible data
19 compilation.

20 (19) Regulations. The term "regulations" includes
21 rules promulgated and forms prescribed by the Department.

22 (20) Resident. The term "resident" means:

23 (A) an individual (i) who is in this State for
24 other than a temporary or transitory purpose during the
25 taxable year; or (ii) who is domiciled in this State
26 but is absent from the State for a temporary or

1 transitory purpose during the taxable year;

2 (B) The estate of a decedent who at his or her
3 death was domiciled in this State;

4 (C) A trust created by a will of a decedent who at
5 his death was domiciled in this State; and

6 (D) An irrevocable trust, the grantor of which was
7 domiciled in this State at the time such trust became
8 irrevocable. For purpose of this subparagraph, a trust
9 shall be considered irrevocable to the extent that the
10 grantor is not treated as the owner thereof under
11 Sections 671 through 678 of the Internal Revenue Code.

12 (21) Sales. The term "sales" means all gross receipts
13 of the taxpayer not allocated under Sections 301, 302 and
14 303.

15 (22) State. The term "state" when applied to a
16 jurisdiction other than this State means any state of the
17 United States, the District of Columbia, the Commonwealth
18 of Puerto Rico, any Territory or Possession of the United
19 States, and any foreign country, or any political
20 subdivision of any of the foregoing. For purposes of the
21 foreign tax credit under Section 601, the term "state"
22 means any state of the United States, the District of
23 Columbia, the Commonwealth of Puerto Rico, and any
24 territory or possession of the United States, or any
25 political subdivision of any of the foregoing, effective
26 for tax years ending on or after December 31, 1989.

1 (23) Taxable year. The term "taxable year" means the
2 calendar year, or the fiscal year ending during such
3 calendar year, upon the basis of which the base income is
4 computed under this Act. "Taxable year" means, in the case
5 of a return made for a fractional part of a year under the
6 provisions of this Act, the period for which such return is
7 made.

8 (24) Taxpayer. The term "taxpayer" means any person
9 subject to the tax imposed by this Act.

10 (25) International banking facility. The term
11 international banking facility shall have the same meaning
12 as is set forth in the Illinois Banking Act or as is set
13 forth in the laws of the United States or regulations of
14 the Board of Governors of the Federal Reserve System.

15 (26) Income Tax Return Preparer.

16 (A) The term "income tax return preparer" means any
17 person who prepares for compensation, or who employs
18 one or more persons to prepare for compensation, any
19 return of tax imposed by this Act or any claim for
20 refund of tax imposed by this Act. The preparation of a
21 substantial portion of a return or claim for refund
22 shall be treated as the preparation of that return or
23 claim for refund.

24 (B) A person is not an income tax return preparer
25 if all he or she does is

26 (i) furnish typing, reproducing, or other

1 mechanical assistance;

2 (ii) prepare returns or claims for refunds for
3 the employer by whom he or she is regularly and
4 continuously employed;

5 (iii) prepare as a fiduciary returns or claims
6 for refunds for any person; or

7 (iv) prepare claims for refunds for a taxpayer
8 in response to any notice of deficiency issued to
9 that taxpayer or in response to any waiver of
10 restriction after the commencement of an audit of
11 that taxpayer or of another taxpayer if a
12 determination in the audit of the other taxpayer
13 directly or indirectly affects the tax liability
14 of the taxpayer whose claims he or she is
15 preparing.

16 (27) Unitary business group.

17 (A) The term "unitary business group" means a group
18 of persons related through common ownership whose
19 business activities are integrated with, dependent
20 upon and contribute to each other. The group will not
21 include those members whose business activity outside
22 the United States is 80% or more of any such member's
23 total business activity; for purposes of this
24 paragraph and clause (a)(3)(B)(ii) of Section 304,
25 business activity within the United States shall be
26 measured by means of the factors ordinarily applicable

1 under subsections (a), (b), (c), (d), or (h) of Section
2 304 except that, in the case of members ordinarily
3 required to apportion business income by means of the 3
4 factor formula of property, payroll and sales
5 specified in subsection (a) of Section 304, including
6 the formula as weighted in subsection (h) of Section
7 304, such members shall not use the sales factor in the
8 computation and the results of the property and payroll
9 factor computations of subsection (a) of Section 304
10 shall be divided by 2 (by one if either the property or
11 payroll factor has a denominator of zero). The
12 computation required by the preceding sentence shall,
13 in each case, involve the division of the member's
14 property, payroll, or revenue miles in the United
15 States, insurance premiums on property or risk in the
16 United States, or financial organization business
17 income from sources within the United States, as the
18 case may be, by the respective worldwide figures for
19 such items. Common ownership in the case of
20 corporations is the direct or indirect control or
21 ownership of more than 50% of the outstanding voting
22 stock of the persons carrying on unitary business
23 activity. Unitary business activity can ordinarily be
24 illustrated where the activities of the members are:
25 (1) in the same general line (such as manufacturing,
26 wholesaling, retailing of tangible personal property,

1 insurance, transportation or finance); or (2) are
2 steps in a vertically structured enterprise or process
3 (such as the steps involved in the production of
4 natural resources, which might include exploration,
5 mining, refining, and marketing); and, in either
6 instance, the members are functionally integrated
7 through the exercise of strong centralized management
8 (where, for example, authority over such matters as
9 purchasing, financing, tax compliance, product line,
10 personnel, marketing and capital investment is not
11 left to each member).

12 (B) In no event, for taxable years ending prior to
13 December 31, 2016, shall any unitary business group
14 include members which are ordinarily required to
15 apportion business income under different subsections
16 of Section 304 except that for tax years ending on or
17 after December 31, 1987 this prohibition shall not
18 apply to a holding company that would otherwise be a
19 member of a unitary business group with taxpayers that
20 apportion business income under any of subsections
21 (b), (c), (c-1), or (d) of Section 304. If a unitary
22 business group would, but for the preceding sentence,
23 include members that are ordinarily required to
24 apportion business income under different subsections
25 of Section 304, then for each subsection of Section 304
26 for which there are two or more members, there shall be

1 a separate unitary business group composed of such
2 members. For purposes of the preceding two sentences, a
3 member is "ordinarily required to apportion business
4 income" under a particular subsection of Section 304 if
5 it would be required to use the apportionment method
6 prescribed by such subsection except for the fact that
7 it derives business income solely from Illinois. As
8 used in this paragraph, for taxable years ending before
9 December 31, 2016, the phrase "United States" means
10 only the 50 states and the District of Columbia, but
11 does not include any territory or possession of the
12 United States or any area over which the United States
13 has asserted jurisdiction or claimed exclusive rights
14 with respect to the exploration for or exploitation of
15 natural resources. For taxable years ending on or after
16 December 31, 2016, the phrase "United States", as used
17 in this paragraph, means only the 50 states, the
18 District of Columbia, and any area over which the
19 United States has asserted jurisdiction or claimed
20 exclusive rights with respect to the exploration for or
21 exploitation of natural resources, but does not
22 include any territory or possession of the United
23 States.

24 (C) Holding companies.

25 (i) For purposes of this subparagraph, a
26 "holding company" is a corporation (other than a

1 corporation that is a financial organization under
2 paragraph (8) of this subsection (a) of Section
3 1501 because it is a bank holding company under the
4 provisions of the Bank Holding Company Act of 1956
5 (12 U.S.C. 1841, et seq.) or because it is owned by
6 a bank or a bank holding company) that owns a
7 controlling interest in one or more other
8 taxpayers ("controlled taxpayers"); that, during
9 the period that includes the taxable year and the 2
10 immediately preceding taxable years or, if the
11 corporation was formed during the current or
12 immediately preceding taxable year, the taxable
13 years in which the corporation has been in
14 existence, derived substantially all its gross
15 income from dividends, interest, rents, royalties,
16 fees or other charges received from controlled
17 taxpayers for the provision of services, and gains
18 on the sale or other disposition of interests in
19 controlled taxpayers or in property leased or
20 licensed to controlled taxpayers or used by the
21 taxpayer in providing services to controlled
22 taxpayers; and that incurs no substantial expenses
23 other than expenses (including interest and other
24 costs of borrowing) incurred in connection with
25 the acquisition and holding of interests in
26 controlled taxpayers and in the provision of

1 services to controlled taxpayers or in the leasing
2 or licensing of property to controlled taxpayers.

3 (ii) The income of a holding company which is a
4 member of more than one unitary business group
5 shall be included in each unitary business group of
6 which it is a member on a pro rata basis, by
7 including in each unitary business group that
8 portion of the base income of the holding company
9 that bears the same proportion to the total base
10 income of the holding company as the gross receipts
11 of the unitary business group bears to the combined
12 gross receipts of all unitary business groups (in
13 both cases without regard to the holding company)
14 or on any other reasonable basis, consistently
15 applied.

16 (iii) A holding company shall apportion its
17 business income under the subsection of Section
18 304 used by the other members of its unitary
19 business group. The apportionment factors of a
20 holding company which would be a member of more
21 than one unitary business group shall be included
22 with the apportionment factors of each unitary
23 business group of which it is a member on a pro
24 rata basis using the same method used in clause
25 (ii).

26 (iv) The provisions of this subparagraph (C)

1 are intended to clarify existing law.

2 (D) If including the base income and factors of a
3 holding company in more than one unitary business group
4 under subparagraph (C) does not fairly reflect the
5 degree of integration between the holding company and
6 one or more of the unitary business groups, the
7 dependence of the holding company and one or more of
8 the unitary business groups upon each other, or the
9 contributions between the holding company and one or
10 more of the unitary business groups, the holding
11 company may petition the Director, under the
12 procedures provided under Section 304(f), for
13 permission to include all base income and factors of
14 the holding company only with members of a unitary
15 business group apportioning their business income
16 under one subsection of subsections (a), (b), (c), or
17 (d) of Section 304. If the petition is granted, the
18 holding company shall be included in a unitary business
19 group only with persons apportioning their business
20 income under the selected subsection of Section 304
21 until the Director grants a petition of the holding
22 company either to be included in more than one unitary
23 business group under subparagraph (C) or to include its
24 base income and factors only with members of a unitary
25 business group apportioning their business income
26 under a different subsection of Section 304.

1 (E) If the unitary business group members'
2 accounting periods differ, the common parent's
3 accounting period or, if there is no common parent, the
4 accounting period of the member that is expected to
5 have, on a recurring basis, the greatest Illinois
6 income tax liability must be used to determine whether
7 to use the apportionment method provided in subsection
8 (a) or subsection (h) of Section 304. The prohibition
9 against membership in a unitary business group for
10 taxpayers ordinarily required to apportion income
11 under different subsections of Section 304 does not
12 apply to taxpayers required to apportion income under
13 subsection (a) and subsection (h) of Section 304. The
14 provisions of this amendatory Act of 1998 apply to tax
15 years ending on or after December 31, 1998.

16 (28) Subchapter S corporation. The term "Subchapter S
17 corporation" means a corporation for which there is in
18 effect an election under Section 1362 of the Internal
19 Revenue Code, or for which there is a federal election to
20 opt out of the provisions of the Subchapter S Revision Act
21 of 1982 and have applied instead the prior federal
22 Subchapter S rules as in effect on July 1, 1982.

23 (30) Foreign person. The term "foreign person" means
24 any person who is a nonresident alien individual and any
25 nonindividual entity, regardless of where created or
26 organized, whose business activity outside the United

1 States is 80% or more of the entity's total business
2 activity.

3 (b) Other definitions.

4 (1) Words denoting number, gender, and so forth, when
5 used in this Act, where not otherwise distinctly expressed
6 or manifestly incompatible with the intent thereof:

7 (A) Words importing the singular include and apply
8 to several persons, parties or things;

9 (B) Words importing the plural include the
10 singular; and

11 (C) Words importing the masculine gender include
12 the feminine as well.

13 (2) "Company" or "association" as including successors
14 and assigns. The word "company" or "association", when used
15 in reference to a corporation, shall be deemed to embrace
16 the words "successors and assigns of such company or
17 association", and in like manner as if these last-named
18 words, or words of similar import, were expressed.

19 (3) Other terms. Any term used in any Section of this
20 Act with respect to the application of, or in connection
21 with, the provisions of any other Section of this Act shall
22 have the same meaning as in such other Section.

23 (Source: P.A. 99-213, eff. 7-31-15.)

24 ARTICLE 15. USE AND OCCUPATION TAXES; RAIL CARRIER

1 Section 15-5. The Use Tax Act is amended by changing
2 Section 3-55 as follows:

3 (35 ILCS 105/3-55) (from Ch. 120, par. 439.3-55)

4 Sec. 3-55. Multistate exemption. To prevent actual or
5 likely multistate taxation, the tax imposed by this Act does
6 not apply to the use of tangible personal property in this
7 State under the following circumstances:

8 (a) The use, in this State, of tangible personal property
9 acquired outside this State by a nonresident individual and
10 brought into this State by the individual for his or her own
11 use while temporarily within this State or while passing
12 through this State.

13 (b) The use, in this State, of tangible personal property
14 by an interstate carrier for hire as rolling stock moving in
15 interstate commerce or by lessors under a lease of one year or
16 longer executed or in effect at the time of purchase of
17 tangible personal property by interstate carriers for-hire for
18 use as rolling stock moving in interstate commerce as long as
19 so used by the interstate carriers for-hire, and equipment
20 operated by a telecommunications provider, licensed as a common
21 carrier by the Federal Communications Commission, which is
22 permanently installed in or affixed to aircraft moving in
23 interstate commerce.

24 (c) The use, in this State, by owners, lessors, or shippers

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

8 (d) The use, in this State, of tangible personal property
9 that is acquired outside this State and caused to be brought
10 into this State by a person who has already paid a tax in
11 another State in respect to the sale, purchase, or use of that
12 property, to the extent of the amount of the tax properly due
13 and paid in the other State.

14 (e) The temporary storage, in this State, of tangible
15 personal property that is acquired outside this State and that,
16 after being brought into this State and stored here
17 temporarily, is used solely outside this State or is physically
18 attached to or incorporated into other tangible personal
19 property that is used solely outside this State, or is altered
20 by converting, fabricating, manufacturing, printing,
21 processing, or shaping, and, as altered, is used solely outside
22 this State.

23 (f) The temporary storage in this State of building
24 materials and fixtures that are acquired either in this State
25 or outside this State by an Illinois registered combination
26 retailer and construction contractor, and that the purchaser

1 thereafter uses outside this State by incorporating that
2 property into real estate located outside this State.

3 (g) Through December 31, 2016, the ~~The~~ use or purchase of
4 tangible personal property by a common carrier by rail or motor
5 that receives the physical possession of the property in
6 Illinois, and that transports the property, or shares with
7 another common carrier in the transportation of the property,
8 out of Illinois on a standard uniform bill of lading showing
9 the seller of the property as the shipper or consignor of the
10 property to a destination outside Illinois, for use outside
11 Illinois.

12 (h) Except as provided in subsection (h-1), the use, in
13 this State, of a motor vehicle that was sold in this State to a
14 nonresident, even though the motor vehicle is delivered to the
15 nonresident in this State, if the motor vehicle is not to be
16 titled in this State, and if a drive-away permit is issued to
17 the motor vehicle as provided in Section 3-603 of the Illinois
18 Vehicle Code or if the nonresident purchaser has vehicle
19 registration plates to transfer to the motor vehicle upon
20 returning to his or her home state. The issuance of the
21 drive-away permit or having the out-of-state registration
22 plates to be transferred shall be prima facie evidence that the
23 motor vehicle will not be titled in this State.

24 (h-1) The exemption under subsection (h) does not apply if
25 the state in which the motor vehicle will be titled does not
26 allow a reciprocal exemption for the use in that state of a

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

1 (h-2) The following exemptions apply with respect to
2 certain aircraft:

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

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

14 (B) the aircraft is not based or registered in this
15 State after the purchase of the aircraft; and

16 (C) the purchaser provides the Department with a
17 signed and dated certification, on a form prescribed by
18 the Department, certifying that the requirements of
19 this item (1) are met. The certificate must also
20 include the name and address of the purchaser, the
21 address of the location where the aircraft is to be
22 titled or registered, the address of the primary
23 physical location of the aircraft, and other
24 information that the Department may reasonably
25 require.

26 (2) Beginning on July 1, 2007, no tax is imposed under

1 this Act on the use of an aircraft, as defined in Section 3
2 of the Illinois Aeronautics Act, that is temporarily
3 located in this State for the purpose of a prepurchase
4 evaluation if all of the following conditions are met:

5 (A) the aircraft is not based or registered in this
6 State after the prepurchase evaluation; and

7 (B) the purchaser provides the Department with a
8 signed and dated certification, on a form prescribed by
9 the Department, certifying that the requirements of
10 this item (2) are met. The certificate must also
11 include the name and address of the purchaser, the
12 address of the location where the aircraft is to be
13 titled or registered, the address of the primary
14 physical location of the aircraft, and other
15 information that the Department may reasonably
16 require.

17 (3) Beginning on July 1, 2007, no tax is imposed under
18 this Act on the use of an aircraft, as defined in Section 3
19 of the Illinois Aeronautics Act, that is temporarily
20 located in this State for the purpose of a post-sale
21 customization if all of the following conditions are met:

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

1 (B) the aircraft is not based or registered in this
2 State either before or after the post-sale
3 customization; and

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

14 If tax becomes due under this subsection (h-2) because of
15 the purchaser's use of the aircraft in this State, the
16 purchaser shall file a return with the Department and pay the
17 tax on the fair market value of the aircraft. This return and
18 payment of the tax must be made no later than 30 days after the
19 aircraft is used in a taxable manner in this State. The tax is
20 based on the fair market value of the aircraft on the date that
21 it is first used in a taxable manner in this State.

22 For purposes of this subsection (h-2):

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

1 "Post-sale customization" means any improvement,
2 maintenance, or repair that is performed on an aircraft
3 following a transfer of ownership of the aircraft.

4 "Prepurchase evaluation" means an examination of an
5 aircraft to provide a potential purchaser with information
6 relevant to the potential purchase.

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

11 This subsection (h-2) is exempt from the provisions of
12 Section 3-90.

13 (i) Beginning July 1, 1999, the use, in this State, of fuel
14 acquired outside this State and brought into this State in the
15 fuel supply tanks of locomotives engaged in freight hauling and
16 passenger service for interstate commerce. This subsection is
17 exempt from the provisions of Section 3-90.

18 (j) Beginning on January 1, 2002 and through June 30, 2016,
19 the use of tangible personal property purchased from an
20 Illinois retailer by a taxpayer engaged in centralized
21 purchasing activities in Illinois who will, upon receipt of the
22 property in Illinois, temporarily store the property in
23 Illinois (i) for the purpose of subsequently transporting it
24 outside this State for use or consumption thereafter solely
25 outside this State or (ii) for the purpose of being processed,
26 fabricated, or manufactured into, attached to, or incorporated

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

15 (Source: P.A. 97-73, eff. 6-30-11.)

16 Section 15-10. The Service Use Tax Act is amended by
17 changing Section 2 as follows:

18 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

19 Sec. 2. Definitions.

20 "Use" means the exercise by any person of any right or
21 power over tangible personal property incident to the ownership
22 of that property, but does not include the sale or use for
23 demonstration by him of that property in any form as tangible
24 personal property in the regular course of business. "Use" does

1 not mean the interim use of tangible personal property nor the
2 physical incorporation of tangible personal property, as an
3 ingredient or constituent, into other tangible personal
4 property, (a) which is sold in the regular course of business
5 or (b) which the person incorporating such ingredient or
6 constituent therein has undertaken at the time of such purchase
7 to cause to be transported in interstate commerce to
8 destinations outside the State of Illinois.

9 "Purchased from a serviceman" means the acquisition of the
10 ownership of, or title to, tangible personal property through a
11 sale of service.

12 "Purchaser" means any person who, through a sale of
13 service, acquires the ownership of, or title to, any tangible
14 personal property.

15 "Cost price" means the consideration paid by the serviceman
16 for a purchase valued in money, whether paid in money or
17 otherwise, including cash, credits and services, and shall be
18 determined without any deduction on account of the supplier's
19 cost of the property sold or on account of any other expense
20 incurred by the supplier. When a serviceman contracts out part
21 or all of the services required in his sale of service, it
22 shall be presumed that the cost price to the serviceman of the
23 property transferred to him or her by his or her subcontractor
24 is equal to 50% of the subcontractor's charges to the
25 serviceman in the absence of proof of the consideration paid by
26 the subcontractor for the purchase of such property.

1 "Selling price" means the consideration for a sale valued
2 in money whether received in money or otherwise, including
3 cash, credits and service, and shall be determined without any
4 deduction on account of the serviceman's cost of the property
5 sold, the cost of materials used, labor or service cost or any
6 other expense whatsoever, but does not include interest or
7 finance charges which appear as separate items on the bill of
8 sale or sales contract nor charges that are added to prices by
9 sellers on account of the seller's duty to collect, from the
10 purchaser, the tax that is imposed by this Act.

11 "Department" means the Department of Revenue.

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

17 "Sale of service" means any transaction except:

18 (1) a retail sale of tangible personal property taxable
19 under the Retailers' Occupation Tax Act or under the Use
20 Tax Act.

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

24 (3) except as hereinafter provided, a sale or transfer
25 of tangible personal property as an incident to the
26 rendering of service for or by any governmental body, or

1 for or by any corporation, society, association,
2 foundation or institution organized and operated
3 exclusively for charitable, religious or educational
4 purposes or any not-for-profit corporation, society,
5 association, foundation, institution or organization which
6 has no compensated officers or employees and which is
7 organized and operated primarily for the recreation of
8 persons 55 years of age or older. A limited liability
9 company may qualify for the exemption under this paragraph
10 only if the limited liability company is organized and
11 operated exclusively for educational purposes.

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

24 (4a) a sale or transfer of tangible personal property
25 as an incident to the rendering of service for owners,
26 lessors, or shippers of tangible personal property which is

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

8 (4a-5) 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
11 pounds as an incident to the rendering of service if that
12 motor vehicle is subject to the commercial distribution fee
13 imposed under Section 3-815.1 of the Illinois Vehicle Code.
14 Beginning on July 1, 2004 and through June 30, 2005, the
15 use in this State of motor vehicles of the second division:
16 (i) with a gross vehicle weight rating in excess of 8,000
17 pounds; (ii) that are subject to the commercial
18 distribution fee imposed under Section 3-815.1 of the
19 Illinois Vehicle Code; and (iii) that are primarily used
20 for commercial purposes. Through June 30, 2005, this
21 exemption applies to repair and replacement parts added
22 after the initial purchase of such a motor vehicle if that
23 motor vehicle is used in a manner that would qualify for
24 the rolling stock exemption otherwise provided for in this
25 Act. For purposes of this paragraph, "used for commercial
26 purposes" means the transportation of persons or property

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

3 (5) a sale or transfer of machinery and equipment used
4 primarily in the process of the manufacturing or
5 assembling, either in an existing, an expanded or a new
6 manufacturing facility, of tangible personal property for
7 wholesale or retail sale or lease, whether such sale or
8 lease is made directly by the manufacturer or by some other
9 person, whether the materials used in the process are owned
10 by the manufacturer or some other person, or whether such
11 sale or lease is made apart from or as an incident to the
12 seller's engaging in a service occupation and the
13 applicable tax is a Service Use Tax or Service Occupation
14 Tax, rather than Use Tax or Retailers' Occupation Tax. The
15 exemption provided by this paragraph (5) does not include
16 machinery and equipment used in (i) the generation of
17 electricity for wholesale or retail sale; (ii) the
18 generation or treatment of natural or artificial gas for
19 wholesale or retail sale that is delivered to customers
20 through pipes, pipelines, or mains; or (iii) the treatment
21 of water for wholesale or retail sale that is delivered to
22 customers through pipes, pipelines, or mains. The
23 provisions of this amendatory Act of the 98th General
24 Assembly are declaratory of existing law as to the meaning
25 and scope of this exemption.

26 (5a) through December 31, 2016, the repairing,

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

12 (5b) through December 31, 2016, a sale or transfer of
13 tangible personal property which is produced by the seller
14 thereof on special order in such a way as to have made the
15 applicable tax the Service Occupation Tax or the Service
16 Use Tax, rather than the Retailers' Occupation Tax or the
17 Use Tax, for an interstate carrier by rail which receives
18 the physical possession of such property in Illinois, and
19 which transports such property, or shares with another
20 common carrier in the transportation of such property, out
21 of Illinois on a standard uniform bill of lading showing
22 the seller of the property as the shipper or consignor of
23 such property to a destination outside Illinois, for use
24 outside Illinois.

25 (6) until July 1, 2003, a sale or transfer of
26 distillation machinery and equipment, sold as a unit or kit

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

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

1 serviceman.

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

5 Exemption (5) also includes machinery and equipment used in
6 the general maintenance or repair of such exempt machinery and
7 equipment or for in-house manufacture of exempt machinery and
8 equipment. The machinery and equipment exemption does not
9 include machinery and equipment used in (i) the generation of
10 electricity for wholesale or retail sale; (ii) the generation
11 or treatment of natural or artificial gas for wholesale or
12 retail sale that is delivered to customers through pipes,
13 pipelines, or mains; or (iii) the treatment of water for
14 wholesale or retail sale that is delivered to customers through
15 pipes, pipelines, or mains. The provisions of this amendatory
16 Act of the 98th General Assembly are declaratory of existing
17 law as to the meaning and scope of this exemption. For the
18 purposes of exemption (5), each of these terms shall have the
19 following meanings: (1) "manufacturing process" shall mean the
20 production of any article of tangible personal property,
21 whether such article is a finished product or an article for
22 use in the process of manufacturing or assembling a different
23 article of tangible personal property, by procedures commonly
24 regarded as manufacturing, processing, fabricating, or
25 refining which changes some existing material or materials into
26 a material with a different form, use or name. In relation to a

1 recognized integrated business composed of a series of
2 operations which collectively constitute manufacturing, or
3 individually constitute manufacturing operations, the
4 manufacturing process shall be deemed to commence with the
5 first operation or stage of production in the series, and shall
6 not be deemed to end until the completion of the final product
7 in the last operation or stage of production in the series; and
8 further, for purposes of exemption (5), photoprocessing is
9 deemed to be a manufacturing process of tangible personal
10 property for wholesale or retail sale; (2) "assembling process"
11 shall mean the production of any article of tangible personal
12 property, whether such article is a finished product or an
13 article for use in the process of manufacturing or assembling a
14 different article of tangible personal property, by the
15 combination of existing materials in a manner commonly regarded
16 as assembling which results in a material of a different form,
17 use or name; (3) "machinery" shall mean major mechanical
18 machines or major components of such machines contributing to a
19 manufacturing or assembling process; and (4) "equipment" shall
20 include any independent device or tool separate from any
21 machinery but essential to an integrated manufacturing or
22 assembly process; including computers used primarily in a
23 manufacturer's computer assisted design, computer assisted
24 manufacturing (CAD/CAM) system; or any subunit or assembly
25 comprising a component of any machinery or auxiliary, adjunct
26 or attachment parts of machinery, such as tools, dies, jigs,

1 fixtures, patterns and molds; or any parts which require
2 periodic replacement in the course of normal operation; but
3 shall not include hand tools. Equipment includes chemicals or
4 chemicals acting as catalysts but only if the chemicals or
5 chemicals acting as catalysts effect a direct and immediate
6 change upon a product being manufactured or assembled for
7 wholesale or retail sale or lease. The purchaser of such
8 machinery and equipment who has an active resale registration
9 number shall furnish such number to the seller at the time of
10 purchase. The user of such machinery and equipment and tools
11 without an active resale registration number shall prepare a
12 certificate of exemption for each transaction stating facts
13 establishing the exemption for that transaction, which
14 certificate shall be available to the Department for inspection
15 or audit. The Department shall prescribe the form of the
16 certificate.

17 Any informal rulings, opinions or letters issued by the
18 Department in response to an inquiry or request for any opinion
19 from any person regarding the coverage and applicability of
20 exemption (5) to specific devices shall be published,
21 maintained as a public record, and made available for public
22 inspection and copying. If the informal ruling, opinion or
23 letter contains trade secrets or other confidential
24 information, where possible the Department shall delete such
25 information prior to publication. Whenever such informal
26 rulings, opinions, or letters contain any policy of general

1 applicability, the Department shall formulate and adopt such
2 policy as a rule in accordance with the provisions of the
3 Illinois Administrative Procedure Act.

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

8 The purchase, employment and transfer of such tangible
9 personal property as newsprint and ink for the primary purpose
10 of conveying news (with or without other information) is not a
11 purchase, use or sale of service or of tangible personal
12 property within the meaning of this Act.

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

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

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

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

- 22 1. having or maintaining within this State, directly or
23 by a subsidiary, an office, distribution house, sales
24 house, warehouse or other place of business, or any agent
25 or other representative operating within this State under
26 the authority of the serviceman or its subsidiary,

1 irrespective of whether such place of business or agent or
2 other representative is located here permanently or
3 temporarily, or whether such serviceman or subsidiary is
4 licensed to do business in this State;

5 1.1. having a contract with a person located in this
6 State under which the person, for a commission or other
7 consideration based on the sale of service by the
8 serviceman, directly or indirectly refers potential
9 customers to the serviceman by providing to the potential
10 customers a promotional code or other mechanism that allows
11 the serviceman to track purchases referred by such persons.
12 Examples of mechanisms that allow the serviceman to track
13 purchases referred by such persons include but are not
14 limited to the use of a link on the person's Internet
15 website, promotional codes distributed through the
16 person's hand-delivered or mailed material, and
17 promotional codes distributed by the person through radio
18 or other broadcast media. The provisions of this paragraph
19 1.1 shall apply only if the cumulative gross receipts from
20 sales of service by the serviceman to customers who are
21 referred to the serviceman by all persons in this State
22 under such contracts exceed \$10,000 during the preceding 4
23 quarterly periods ending on the last day of March, June,
24 September, and December; a serviceman meeting the
25 requirements of this paragraph 1.1 shall be presumed to be
26 maintaining a place of business in this State but may rebut

1 this presumption by submitting proof that the referrals or
2 other activities pursued within this State by such persons
3 were not sufficient to meet the nexus standards of the
4 United States Constitution during the preceding 4
5 quarterly periods;

6 1.2. beginning July 1, 2011, having a contract with a
7 person located in this State under which:

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

13 B. the serviceman provides a commission or other
14 consideration to the person located in this State based
15 upon the sale of services by the serviceman.

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

22 2. soliciting orders for tangible personal property by
23 means of a telecommunication or television shopping system
24 (which utilizes toll free numbers) which is intended by the
25 retailer to be broadcast by cable television or other means
26 of broadcasting, to consumers located in this State;

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

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

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

16 6. having a franchisee or licensee operating under its
17 trade name if the franchisee or licensee is required to
18 collect the tax under this Section;

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

24 8. engaging in activities in Illinois, which
25 activities in the state in which the supply business
26 engaging in such activities is located would constitute

1 maintaining a place of business in that state.

2 (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

3 Section 15-15. The Service Occupation Tax Act is amended by
4 changing Section 2 as follows:

5 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

6 Sec. 2. "Transfer" means any transfer of the title to
7 property or of the ownership of property whether or not the
8 transferor retains title as security for the payment of amounts
9 due him from the transferee.

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

22 "Department" means the Department of Revenue.

23 "Person" means any natural individual, firm, partnership,
24 association, joint stock company, joint venture, public or

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

4 "Sale of Service" means any transaction except:

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

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

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

24 (d) A sale or transfer of tangible personal property as an
25 incident to the rendering of service for interstate carriers
26 for hire for use as rolling stock moving in interstate commerce

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

8 (d-1) A sale or transfer of tangible personal property as
9 an incident to the rendering of service for owners, lessors or
10 shippers of tangible personal property which is utilized by
11 interstate carriers for hire for use as rolling stock moving in
12 interstate commerce, and equipment operated by a
13 telecommunications provider, licensed as a common carrier by
14 the Federal Communications Commission, which is permanently
15 installed in or affixed to aircraft moving in interstate
16 commerce.

17 (d-1.1) On and after July 1, 2003 and through June 30,
18 2004, a sale or transfer of a motor vehicle of the second
19 division with a gross vehicle weight in excess of 8,000 pounds
20 as an incident to the rendering of service if that motor
21 vehicle is subject to the commercial distribution fee imposed
22 under Section 3-815.1 of the Illinois Vehicle Code. Beginning
23 on July 1, 2004 and through June 30, 2005, the use in this
24 State of motor vehicles of the second division: (i) with a
25 gross vehicle weight rating in excess of 8,000 pounds; (ii)
26 that are subject to the commercial distribution fee imposed

1 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)
2 that are primarily used for commercial purposes. Through June
3 30, 2005, this exemption applies to repair and replacement
4 parts added after the initial purchase of such a motor vehicle
5 if that motor vehicle is used in a manner that would qualify
6 for the rolling stock exemption otherwise provided for in this
7 Act. For purposes of this paragraph, "used for commercial
8 purposes" means the transportation of persons or property in
9 furtherance of any commercial or industrial enterprise whether
10 for-hire or not.

11 (d-2) Through December 31, 2016, the ~~The~~ repairing,
12 reconditioning or remodeling, for a common carrier by rail, of
13 tangible personal property which belongs to such carrier for
14 hire, and as to which such carrier receives the physical
15 possession of the repaired, reconditioned or remodeled item of
16 tangible personal property in Illinois, and which such carrier
17 transports, or shares with another common carrier in the
18 transportation of such property, out of Illinois on a standard
19 uniform bill of lading showing the person who repaired,
20 reconditioned or remodeled the property as the shipper or
21 consignor of such property to a destination outside Illinois,
22 for use outside Illinois.

23 (d-3) Through December 31, 2016, a ~~A~~ sale or transfer of
24 tangible personal property which is produced by the seller
25 thereof on special order in such a way as to have made the
26 applicable tax the Service Occupation Tax or the Service Use

1 Tax, rather than the Retailers' Occupation Tax or the Use Tax,
2 for an interstate carrier by rail which receives the physical
3 possession of such property in Illinois, and which transports
4 such property, or shares with another common carrier in the
5 transportation of such property, out of Illinois on a standard
6 uniform bill of lading showing the seller of the property as
7 the shipper or consignor of such property to a destination
8 outside Illinois, for use outside Illinois.

9 (d-4) Until January 1, 1997, a sale, by a registered
10 serviceman paying tax under this Act to the Department, of
11 special order printed materials delivered outside Illinois and
12 which are not returned to this State, if delivery is made by
13 the seller or agent of the seller, including an agent who
14 causes the product to be delivered outside Illinois by a common
15 carrier or the U.S. postal service.

16 (e) A sale or transfer of machinery and equipment used
17 primarily in the process of the manufacturing or assembling,
18 either in an existing, an expanded or a new manufacturing
19 facility, of tangible personal property for wholesale or retail
20 sale or lease, whether such 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 such sale or lease is made apart from or as
24 an incident to the seller's engaging in a service occupation
25 and the applicable tax is a Service Occupation Tax or Service
26 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The

1 exemption provided by this paragraph (e) does not include
2 machinery and equipment used in (i) the generation of
3 electricity for wholesale or retail sale; (ii) the generation
4 or treatment of natural or artificial gas for wholesale or
5 retail sale that is delivered to customers through pipes,
6 pipelines, or mains; or (iii) the treatment of water for
7 wholesale or retail sale that is delivered to customers through
8 pipes, pipelines, or mains. The provisions of this amendatory
9 Act of the 98th General Assembly are declaratory of existing
10 law as to the meaning and scope of this exemption.

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

18 (g) At the election of any serviceman not required to be
19 otherwise registered as a retailer under Section 2a of the
20 Retailers' Occupation Tax Act, made for each fiscal year sales
21 of service in which the aggregate annual cost price of tangible
22 personal property transferred as an incident to the sales of
23 service is less than 35% (75% in the case of servicemen
24 transferring prescription drugs or servicemen engaged in
25 graphic arts production) of the aggregate annual total gross
26 receipts from all sales of service. The purchase of such

1 tangible personal property by the serviceman shall be subject
2 to tax under the Retailers' Occupation Tax Act and the Use Tax
3 Act. However, if a primary serviceman who has made the election
4 described in this paragraph subcontracts service work to a
5 secondary serviceman who has also made the election described
6 in this paragraph, the primary serviceman does not incur a Use
7 Tax liability if the secondary serviceman (i) has paid or will
8 pay Use Tax on his or her cost price of any tangible personal
9 property transferred to the primary serviceman and (ii)
10 certifies that fact in writing to the primary serviceman.

11 Tangible personal property transferred incident to the
12 completion of a maintenance agreement is exempt from the tax
13 imposed pursuant to this Act.

14 Exemption (e) also includes machinery and equipment used in
15 the general maintenance or repair of such exempt machinery and
16 equipment or for in-house manufacture of exempt machinery and
17 equipment. The machinery and equipment exemption does not
18 include machinery and equipment used in (i) the generation of
19 electricity for wholesale or retail sale; (ii) the generation
20 or treatment of natural or artificial gas for wholesale or
21 retail sale that is delivered to customers through pipes,
22 pipelines, or mains; or (iii) the treatment of water for
23 wholesale or retail sale that is delivered to customers through
24 pipes, pipelines, or mains. The provisions of this amendatory
25 Act of the 98th General Assembly are declaratory of existing
26 law as to the meaning and scope of this exemption. For the

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

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

25 Except as provided in Section 2d of this Act, the rolling
26 stock exemption applies to rolling stock used by an interstate

1 carrier for hire, even just between points in Illinois, if such
2 rolling stock transports, for hire, persons whose journeys or
3 property whose shipments originate or terminate outside
4 Illinois.

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

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

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

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

26 "Supplier" means any person who makes sales of tangible

1 personal property to servicemen for the purpose of resale as an
2 incident to a sale of service.

3 (Source: P.A. 98-583, eff. 1-1-14.)

4 Section 15-20. The Retailers' Occupation Tax Act is amended
5 by changing Section 2-5 as follows:

6 (35 ILCS 120/2-5)

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

10 (1) Farm chemicals.

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

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

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

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

22 (3) Until July 1, 2003, distillation machinery and
23 equipment, sold as a unit or kit, assembled or installed by the
24 retailer, certified by the user to be used only for the
25 production of ethyl alcohol that will be used for consumption
26 as motor fuel or as a component of motor fuel for the personal

1 use of the user, and not subject to sale or resale.

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

11 (5) A motor vehicle that is used for automobile renting, as
12 defined in the Automobile Renting Occupation and Use Tax Act.
13 This paragraph is exempt from the provisions of Section 2-70.

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

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

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

23 (9) Personal property sold to a not-for-profit arts or
24 cultural organization that establishes, by proof required by
25 the Department by rule, that it has received an exemption under
26 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 (10) Personal property sold by a corporation, society,
13 association, foundation, institution, or organization, other
14 than a limited liability company, that is organized and
15 operated as a not-for-profit service enterprise for the benefit
16 of persons 65 years of age or older if the personal property
17 was not purchased by the enterprise for the purpose of resale
18 by the enterprise.

19 (11) Personal property sold to a governmental body, to a
20 corporation, society, association, foundation, or institution
21 organized and operated exclusively for charitable, religious,
22 or educational purposes, or to a not-for-profit corporation,
23 society, association, foundation, institution, or organization
24 that has no compensated officers or employees and that is
25 organized and operated primarily for the recreation of persons
26 55 years of age or older. A limited liability company may

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

7 (12) Tangible personal property sold to interstate
8 carriers for hire for use as rolling stock moving in interstate
9 commerce or to lessors under leases of one year or longer
10 executed or in effect at the time of purchase 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 (12-5) On and after July 1, 2003 and through June 30, 2004,
17 motor vehicles of the second division with a gross vehicle
18 weight in excess of 8,000 pounds that are subject to the
19 commercial distribution fee imposed under Section 3-815.1 of
20 the Illinois Vehicle Code. Beginning on July 1, 2004 and
21 through June 30, 2005, the use in this State of motor vehicles
22 of the second division: (i) with a gross vehicle weight rating
23 in excess of 8,000 pounds; (ii) that are subject to the
24 commercial distribution fee imposed under Section 3-815.1 of
25 the Illinois Vehicle Code; and (iii) that are primarily used
26 for commercial purposes. Through June 30, 2005, this exemption

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

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

15 (14) Machinery and equipment that will be used by the
16 purchaser, or a lessee of the purchaser, primarily in the
17 process of manufacturing or assembling tangible personal
18 property for wholesale or retail sale or lease, whether the
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 the
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. The exemption provided by this paragraph (14) does

1 not include machinery and equipment used in (i) the generation
2 of electricity for wholesale or retail sale; (ii) the
3 generation or treatment of natural or artificial gas for
4 wholesale or retail sale that is delivered to customers through
5 pipes, pipelines, or mains; or (iii) the treatment of water for
6 wholesale or retail sale that is delivered to customers through
7 pipes, pipelines, or mains. The provisions of Public Act 98-583
8 are declaratory of existing law as to the meaning and scope of
9 this exemption.

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

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

20 (17) Through December 31, 2016, tangible ~~Tangible~~ personal
21 property sold to a common carrier by rail or motor that
22 receives the physical possession of the property in Illinois
23 and that transports the property, or shares with another common
24 carrier in the transportation of the property, out of Illinois
25 on a standard uniform bill of lading showing the seller of the
26 property as the shipper or consignor of the property to a

1 destination outside Illinois, for use outside Illinois.

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

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

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

20 (21) Coal and aggregate exploration, mining, off-highway
21 hauling, processing, maintenance, and reclamation equipment,
22 including replacement parts and equipment, and including
23 equipment purchased for lease, but excluding motor vehicles
24 required to be registered under the Illinois Vehicle Code. The
25 changes made to this Section by Public Act 97-767 apply on and
26 after July 1, 2003, but no claim for credit or refund is

1 allowed on or after August 16, 2013 (the effective date of
2 Public Act 98-456) for such taxes paid during the period
3 beginning July 1, 2003 and ending on August 16, 2013 (the
4 effective date of Public Act 98-456).

5 (22) Until June 30, 2013, fuel and petroleum products sold
6 to or used by an air carrier, certified by the carrier to be
7 used for consumption, shipment, or storage in the conduct of
8 its business as an air common carrier, for a flight destined
9 for or returning from a location or locations outside the
10 United States without regard to previous or subsequent domestic
11 stopovers.

12 Beginning July 1, 2013, fuel and petroleum products sold to
13 or used by an air carrier, certified by the carrier to be used
14 for consumption, shipment, or storage in the conduct of its
15 business as an air common carrier, for a flight that (i) is
16 engaged in foreign trade or is engaged in trade between the
17 United States and any of its possessions and (ii) transports at
18 least one individual or package for hire from the city of
19 origination to the city of final destination on the same
20 aircraft, without regard to a change in the flight number of
21 that aircraft.

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

26 (24) Fuel consumed or used in the operation of ships,

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

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

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

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

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

24 (1) the aircraft leaves this State within 15 days after
25 the later of either the issuance of the final billing for
26 the sale of the aircraft, or the authorized approval for

1 return to service, completion of the maintenance record
2 entry, and completion of the test flight and ground test
3 for inspection, as required by 14 C.F.R. 91.407;

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

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

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

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

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

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

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

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

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

23 (29) Personal property sold to a lessor who leases the
24 property, under a lease of one year or longer executed or in
25 effect at the time of the purchase, to a governmental body that
26 has been issued an active tax exemption identification number

1 by the Department under Section 1g of this Act.

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

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

24 (32) Beginning July 1, 1999, game or game birds sold at a
25 "game breeding and hunting preserve area" as that term is used
26 in the Wildlife Code. This paragraph is exempt from the

1 provisions of Section 2-70.

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

20 (34) Beginning January 1, 2000, personal property,
21 including food, purchased through fundraising events for the
22 benefit of a public or private elementary or secondary school,
23 a group of those schools, or one or more school districts if
24 the events are sponsored by an entity recognized by the school
25 district that consists primarily of volunteers and includes
26 parents and teachers of the school children. This paragraph

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

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

18 (35-5) Beginning August 23, 2001 and through June 30, 2016,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages, soft
21 drinks, and food that has been prepared for immediate
22 consumption) and prescription and nonprescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article V of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act, or a licensed facility as defined in
3 the ID/DD Community Care Act, the MC/DD Act, or the Specialized
4 Mental Health Rehabilitation Act of 2013.

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

14 (37) Beginning August 2, 2001, 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
19 this Act. This paragraph is exempt from the provisions of
20 Section 2-70.

21 (38) 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 (38). The permit issued under this paragraph (38)
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 (39) 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 2-70.

25 (40) Beginning January 1, 2010, materials, parts,
26 equipment, components, and furnishings incorporated into or

1 upon an aircraft as part of the modification, refurbishment,
2 completion, replacement, repair, or maintenance of the
3 aircraft. This exemption includes consumable supplies used in
4 the modification, refurbishment, completion, replacement,
5 repair, and maintenance of aircraft, but excludes any
6 materials, parts, equipment, components, and consumable
7 supplies used in the modification, replacement, repair, and
8 maintenance of aircraft engines or power plants, whether such
9 engines or power plants are installed or uninstalled upon any
10 such aircraft. "Consumable supplies" include, but are not
11 limited to, adhesive, tape, sandpaper, general purpose
12 lubricants, cleaning solution, latex gloves, and protective
13 films. This exemption applies only to the sale of qualifying
14 tangible personal property to persons who modify, refurbish,
15 complete, replace, or maintain an aircraft and who (i) hold an
16 Air Agency Certificate and are empowered to operate an approved
17 repair station by the Federal Aviation Administration, (ii)
18 have a Class IV Rating, and (iii) conduct operations in
19 accordance with Part 145 of the Federal Aviation Regulations.
20 The exemption does not include aircraft operated by a
21 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. The changes made to this
24 paragraph (40) by Public Act 98-534 are declarative of existing
25 law.

26 (41) Tangible personal property sold to a

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

14 (42) Beginning January 1, 2017, menstrual pads, tampons,
15 and menstrual cups.

16 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
17 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
18 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
19 7-29-15; 99-855, eff. 8-19-16.)

20 ARTICLE 20. ROLLING STOCK

21 Section 20-5. The Use Tax Act is amended by changing
22 Sections 3-55 and 3-60 as follows:

23 (35 ILCS 105/3-55) (from Ch. 120, par. 439.3-55)

1 Sec. 3-55. Multistate exemption. To prevent actual or
2 likely multistate taxation, the tax imposed by this Act does
3 not apply to the use of tangible personal property in this
4 State under the following circumstances:

5 (a) The use, in this State, of tangible personal property
6 acquired outside this State by a nonresident individual and
7 brought into this State by the individual for his or her own
8 use while temporarily within this State or while passing
9 through this State.

10 (b) Through December 31, 2016, the ~~The~~ use, in this State,
11 of tangible personal property by an interstate carrier for hire
12 as rolling stock moving in interstate commerce or by lessors
13 under a lease of one year or longer executed or in effect at
14 the time of purchase of tangible personal property by
15 interstate carriers for-hire for use as rolling stock moving in
16 interstate commerce as long as so used by the interstate
17 carriers for-hire, and equipment operated by a
18 telecommunications provider, licensed as a common carrier by
19 the Federal Communications Commission, which is permanently
20 installed in or affixed to aircraft moving in interstate
21 commerce.

22 (c) Through December 31, 2016, the ~~The~~ use, in this State,
23 by owners, lessors, or shippers of tangible personal property
24 that is utilized by interstate carriers for hire for use as
25 rolling stock moving in interstate commerce as long as so used
26 by the interstate carriers for hire, and equipment operated by

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

5 (d) The use, in this State, of tangible personal property
6 that is acquired outside this State and caused to be brought
7 into this State by a person who has already paid a tax in
8 another State in respect to the sale, purchase, or use of that
9 property, to the extent of the amount of the tax properly due
10 and paid in the other State.

11 (e) The temporary storage, in this State, of tangible
12 personal property that is acquired outside this State and that,
13 after being brought into this State and stored here
14 temporarily, is used solely outside this State or is physically
15 attached to or incorporated into other tangible personal
16 property that is used solely outside this State, or is altered
17 by converting, fabricating, manufacturing, printing,
18 processing, or shaping, and, as altered, is used solely outside
19 this State.

20 (f) The temporary storage in this State of building
21 materials and fixtures that are acquired either in this State
22 or outside this State by an Illinois registered combination
23 retailer and construction contractor, and that the purchaser
24 thereafter uses outside this State by incorporating that
25 property into real estate located outside this State.

26 (g) The use or purchase of tangible personal property by a

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

8 (h) Except as provided in subsection (h-1), the use, in
9 this State, of a motor vehicle that was sold in this State to a
10 nonresident, even though the motor vehicle is delivered to the
11 nonresident in this State, if the motor vehicle is not to be
12 titled in this State, and if a drive-away permit is issued to
13 the motor vehicle as provided in Section 3-603 of the Illinois
14 Vehicle Code or if the nonresident purchaser has vehicle
15 registration plates to transfer to the motor vehicle upon
16 returning to his or her home state. The issuance of the
17 drive-away permit or having the out-of-state registration
18 plates to be transferred shall be prima facie evidence that the
19 motor vehicle will not be titled in this State.

20 (h-1) The exemption under subsection (h) does not apply if
21 the state in which the motor vehicle will be titled does not
22 allow a reciprocal exemption for the use in that state of a
23 motor vehicle sold and delivered in that state to an Illinois
24 resident but titled in Illinois. The tax collected under this
25 Act on the sale of a motor vehicle in this State to a resident
26 of another state that does not allow a reciprocal exemption

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

23 (h-2) The following exemptions apply with respect to
24 certain aircraft:

25 (1) Beginning on July 1, 2007, no tax is imposed under
26 this Act on the purchase of an aircraft, as defined in

1 Section 3 of the Illinois Aeronautics Act, if all of the
2 following conditions are met:

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

10 (B) the aircraft is not based or registered in this
11 State after the purchase of the aircraft; and

12 (C) the purchaser provides the Department with a
13 signed and dated certification, on a form prescribed by
14 the Department, certifying that the requirements of
15 this item (1) are met. The certificate must also
16 include the name and address of the purchaser, the
17 address of the location where the aircraft is to be
18 titled or registered, the address of the primary
19 physical location of the aircraft, and other
20 information that the Department may reasonably
21 require.

22 (2) Beginning on July 1, 2007, no tax is imposed under
23 this Act on the use of an aircraft, as defined in Section 3
24 of the Illinois Aeronautics Act, that is temporarily
25 located in this State for the purpose of a prepurchase
26 evaluation if all of the following conditions are met:

1 (A) the aircraft is not based or registered in this
2 State after the prepurchase evaluation; and

3 (B) the purchaser provides the Department with a
4 signed and dated certification, on a form prescribed by
5 the Department, certifying that the requirements of
6 this item (2) are met. The certificate must also
7 include the name and address of the purchaser, the
8 address of the location where the aircraft is to be
9 titled or registered, the address of the primary
10 physical location of the aircraft, and other
11 information that the Department may reasonably
12 require.

13 (3) Beginning on July 1, 2007, no tax is imposed under
14 this Act on the use of an aircraft, as defined in Section 3
15 of the Illinois Aeronautics Act, that is temporarily
16 located in this State for the purpose of a post-sale
17 customization if all of the following conditions are met:

18 (A) the aircraft leaves this State within 15 days
19 after the authorized approval for return to service,
20 completion of the maintenance record entry, and
21 completion of the test flight and ground test for
22 inspection, as required by 14 C.F.R. 91.407;

23 (B) the aircraft is not based or registered in this
24 State either before or after the post-sale
25 customization; and

26 (C) the purchaser provides the Department with a

1 signed and dated certification, on a form prescribed by
2 the Department, certifying that the requirements of
3 this item (3) are met. The certificate must also
4 include the name and address of the purchaser, the
5 address of the location where the aircraft is to be
6 titled or registered, the address of the primary
7 physical location of the aircraft, and other
8 information that the Department may reasonably
9 require.

10 If tax becomes due under this subsection (h-2) because of
11 the purchaser's use of the aircraft in this State, the
12 purchaser shall file a return with the Department and pay the
13 tax on the fair market value of the aircraft. This return and
14 payment of the tax must be made no later than 30 days after the
15 aircraft is used in a taxable manner in this State. The tax is
16 based on the fair market value of the aircraft on the date that
17 it is first used in a taxable manner in this State.

18 For purposes of this subsection (h-2):

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 "Post-sale customization" means any improvement,
24 maintenance, or repair that is performed on an aircraft
25 following a transfer of ownership of the aircraft.

26 "Prepurchase evaluation" means an examination of an

1 aircraft to provide a potential purchaser with information
2 relevant to the potential purchase.

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

7 This subsection (h-2) is exempt from the provisions of
8 Section 3-90.

9 (i) Beginning July 1, 1999, the use, in this State, of fuel
10 acquired outside this State and brought into this State in the
11 fuel supply tanks of locomotives engaged in freight hauling and
12 passenger service for interstate commerce. This subsection is
13 exempt from the provisions of Section 3-90.

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

1 issue a permit to any taxpayer in good standing with the
2 Department who is eligible for the exemption under this
3 subsection (j). The permit issued under this subsection (j)
4 shall authorize the holder, to the extent and in the manner
5 specified in the rules adopted under this Act, to purchase
6 tangible personal property from a retailer exempt from the
7 taxes imposed by this Act. Taxpayers shall maintain all
8 necessary books and records to substantiate the use and
9 consumption of all such tangible personal property outside of
10 the State of Illinois.

11 (Source: P.A. 97-73, eff. 6-30-11.)

12 (35 ILCS 105/3-60) (from Ch. 120, par. 439.3-60)

13 Sec. 3-60. Rolling stock exemption. Except as provided in
14 Section 3-61 of this Act, through December 31, 2016, the
15 rolling stock exemption applies to rolling stock used by an
16 interstate carrier for hire, even just between points in
17 Illinois, if the rolling stock transports, for hire, persons
18 whose journeys or property whose shipments originate or
19 terminate outside Illinois.

20 (Source: P.A. 93-23, eff. 6-20-03.)

21 Section 20-10. The Service Use Tax Act is amended by
22 changing Sections 3-45 and 3-50 as follows:

23 (35 ILCS 110/3-45) (from Ch. 120, par. 439.33-45)

1 Sec. 3-45. Multistate exemption. To prevent actual or
2 likely multistate taxation, the tax imposed by this Act does
3 not apply to the use of tangible personal property in this
4 State under the following circumstances:

5 (a) The use, in this State, of property acquired outside
6 this State by a nonresident individual and brought into this
7 State by the individual for his or her own use while
8 temporarily within this State or while passing through this
9 State.

10 (b) Through December 31, 2016, the ~~The~~ use, in this State,
11 of property that is acquired outside this State and that is
12 moved into this State for use as rolling stock moving in
13 interstate commerce.

14 (c) The use, in this State, of property that is acquired
15 outside this State and caused to be brought into this State by
16 a person who has already paid a tax in another state in respect
17 to the sale, purchase, or use of that property, to the extent
18 of the amount of the tax properly due and paid in the other
19 state.

20 (d) The temporary storage, in this State, of property that
21 is acquired outside this State and that after being brought
22 into this State and stored here temporarily, is used solely
23 outside this State or is physically attached to or incorporated
24 into other property that is used solely outside this State, or
25 is altered by converting, fabricating, manufacturing,
26 printing, processing, or shaping, and, as altered, is used

1 solely outside this State.

2 (e) Beginning July 1, 1999, the use, in this State, of fuel
3 acquired outside this State and brought into this State in the
4 fuel supply tanks of locomotives engaged in freight hauling and
5 passenger service for interstate commerce. This subsection is
6 exempt from the provisions of Section 3-75.

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

1 necessary books and records to substantiate the use and
2 consumption of all such tangible personal property outside of
3 the State of Illinois.

4 (Source: P.A. 97-73, eff. 6-30-11.)

5 (35 ILCS 110/3-50) (from Ch. 120, par. 439.33-50)

6 Sec. 3-50. Rolling stock exemption. Except as provided in
7 Section 3-51 of this Act, through December 31, 2016, the
8 rolling stock exemption applies to rolling stock used by an
9 interstate carrier for hire, even just between points in
10 Illinois, if the rolling stock transports, for hire, persons
11 whose journeys or property whose shipments originate or
12 terminate outside Illinois.

13 (Source: P.A. 93-23, eff. 6-20-03.)

14 Section 20-15. The Service Occupation Tax Act is amended by
15 changing Section 2 as follows:

16 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

17 Sec. 2. "Transfer" means any transfer of the title to
18 property or of the ownership of property whether or not the
19 transferor retains title as security for the payment of amounts
20 due him from the transferee.

21 "Cost Price" means the consideration paid by the serviceman
22 for a purchase valued in money, whether paid in money or
23 otherwise, including cash, credits and services, and shall be

1 determined without any deduction on account of the supplier's
2 cost of the property sold or on account of any other expense
3 incurred by the supplier. When a serviceman contracts out part
4 or all of the services required in his sale of service, it
5 shall be presumed that the cost price to the serviceman of the
6 property transferred to him by his or her subcontractor is
7 equal to 50% of the subcontractor's charges to the serviceman
8 in the absence of proof of the consideration paid by the
9 subcontractor for the purchase of such property.

10 "Department" means the Department of Revenue.

11 "Person" means any natural individual, firm, partnership,
12 association, joint stock company, joint venture, public or
13 private corporation, limited liability company, and any
14 receiver, executor, trustee, guardian or other representative
15 appointed by order of any court.

16 "Sale of Service" means any transaction except:

17 (a) A retail sale of tangible personal property taxable
18 under the Retailers' Occupation Tax Act or under the Use Tax
19 Act.

20 (b) A sale of tangible personal property for the purpose of
21 resale made in compliance with Section 2c of the Retailers'
22 Occupation Tax Act.

23 (c) Except as hereinafter provided, a sale or transfer of
24 tangible personal property as an incident to the rendering of
25 service for or by any governmental body or for or by any
26 corporation, society, association, foundation or institution

1 organized and operated exclusively for charitable, religious
2 or educational purposes or any not-for-profit corporation,
3 society, association, foundation, institution or organization
4 which has no compensated officers or employees and which is
5 organized and operated primarily for the recreation of persons
6 55 years of age or older. A limited liability company may
7 qualify for the exemption under this paragraph only if the
8 limited liability company is organized and operated
9 exclusively for educational purposes.

10 (d) Through December 31, 2016, a ~~A~~ sale or transfer of
11 tangible personal property as an incident to the rendering of
12 service for interstate carriers for hire for use as rolling
13 stock moving in interstate commerce or lessors under leases of
14 one year or longer, executed or in effect at the time of
15 purchase, to interstate carriers for hire for use as rolling
16 stock moving in interstate commerce, and equipment operated by
17 a telecommunications provider, licensed as a common carrier by
18 the Federal Communications Commission, which is permanently
19 installed in or affixed to aircraft moving in interstate
20 commerce.

21 (d-1) Through December 31, 2016, a ~~A~~ sale or transfer of
22 tangible personal property as an incident to the rendering of
23 service for owners, lessors or shippers of tangible personal
24 property which is utilized by interstate carriers for hire for
25 use as rolling stock moving in interstate commerce, and
26 equipment operated by a telecommunications provider, licensed

1 as a common carrier by the Federal Communications Commission,
2 which is permanently installed in or affixed to aircraft moving
3 in interstate commerce.

4 (d-1.1) On and after July 1, 2003 and through June 30,
5 2004, a sale or transfer of a motor vehicle of the second
6 division with a gross vehicle weight in excess of 8,000 pounds
7 as an incident to the rendering of service if that motor
8 vehicle is subject to the commercial distribution fee imposed
9 under Section 3-815.1 of the Illinois Vehicle Code. Beginning
10 on July 1, 2004 and through June 30, 2005, the use in this
11 State of motor vehicles of the second division: (i) with a
12 gross vehicle weight rating in excess of 8,000 pounds; (ii)
13 that are subject to the commercial distribution fee imposed
14 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)
15 that are primarily used for commercial purposes. Through June
16 30, 2005, this exemption applies to repair and replacement
17 parts added after the initial purchase of such a motor vehicle
18 if that motor vehicle is used in a manner that would qualify
19 for the rolling stock exemption otherwise provided for in this
20 Act. For purposes of this paragraph, "used for commercial
21 purposes" means the transportation of persons or property in
22 furtherance of any commercial or industrial enterprise whether
23 for-hire or not.

24 (d-2) The repairing, reconditioning or remodeling, for a
25 common carrier by rail, of tangible personal property which
26 belongs to such carrier for hire, and as to which such carrier

1 receives the physical possession of the repaired,
2 reconditioned or remodeled item of tangible personal property
3 in Illinois, and which such carrier transports, or shares with
4 another common carrier in the transportation of such property,
5 out of Illinois on a standard uniform bill of lading showing
6 the person who repaired, reconditioned or remodeled the
7 property as the shipper or consignor of such property to a
8 destination outside Illinois, for use outside Illinois.

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

21 (d-4) Until January 1, 1997, a sale, by a registered
22 serviceman paying tax under this Act to the Department, of
23 special order printed materials delivered outside Illinois and
24 which are not returned to this State, if delivery is made by
25 the seller or agent of the seller, including an agent who
26 causes the product to be delivered outside Illinois by a common

1 carrier or the U.S. postal service.

2 (e) A sale or transfer of machinery and equipment used
3 primarily in the process of the manufacturing or assembling,
4 either in an existing, an expanded or a new manufacturing
5 facility, of tangible personal property for wholesale or retail
6 sale or lease, whether such sale or lease is made directly by
7 the manufacturer or by some other person, whether the materials
8 used in the process are owned by the manufacturer or some other
9 person, or whether such sale or lease is made apart from or as
10 an incident to the seller's engaging in a service occupation
11 and the applicable tax is a Service Occupation Tax or Service
12 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The
13 exemption provided by this paragraph (e) does not include
14 machinery and equipment used in (i) the generation of
15 electricity for wholesale or retail sale; (ii) the generation
16 or treatment of natural or artificial gas for wholesale or
17 retail sale that is delivered to customers through pipes,
18 pipelines, or mains; or (iii) the treatment of water for
19 wholesale or retail sale that is delivered to customers through
20 pipes, pipelines, or mains. The provisions of this amendatory
21 Act of the 98th General Assembly are declaratory of existing
22 law as to the meaning and scope of this exemption.

23 (f) Until July 1, 2003, the sale or transfer of
24 distillation machinery and equipment, sold as a unit or kit and
25 assembled or installed by the retailer, which machinery and
26 equipment is 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 such user and not subject to sale or resale.

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

23 Tangible personal property transferred incident to the
24 completion of a maintenance agreement is exempt from the tax
25 imposed pursuant to this Act.

26 Exemption (e) also includes machinery and equipment used in

1 the general maintenance or repair of such exempt machinery and
2 equipment or for in-house manufacture of exempt machinery and
3 equipment. The machinery and equipment exemption does not
4 include machinery and equipment used in (i) the generation of
5 electricity for wholesale or retail sale; (ii) the generation
6 or treatment of natural or artificial gas for wholesale or
7 retail sale that is delivered to customers through pipes,
8 pipelines, or mains; or (iii) the treatment of water for
9 wholesale or retail sale that is delivered to customers through
10 pipes, pipelines, or mains. The provisions of this amendatory
11 Act of the 98th General Assembly are declaratory of existing
12 law as to the meaning and scope of this exemption. For the
13 purposes of exemption (e), each of these terms shall have the
14 following meanings: (1) "manufacturing process" shall mean the
15 production of any article of tangible personal property,
16 whether such article is a finished product or an article for
17 use in the process of manufacturing or assembling a different
18 article of tangible personal property, by procedures commonly
19 regarded as manufacturing, processing, fabricating, or
20 refining which changes some existing material or materials into
21 a material with a different form, use or name. In relation to a
22 recognized integrated business composed of a series of
23 operations which collectively constitute manufacturing, or
24 individually constitute manufacturing operations, the
25 manufacturing process shall be deemed to commence with the
26 first operation or stage of production in the series, and shall

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

1 change upon a product being manufactured or assembled for
2 wholesale or retail sale or lease. The purchaser of such
3 machinery and equipment who has an active resale registration
4 number shall furnish such number to the seller at the time of
5 purchase. The purchaser of such machinery and equipment and
6 tools without an active resale registration number shall
7 furnish to the seller a certificate of exemption for each
8 transaction stating facts establishing the exemption for that
9 transaction, which certificate shall be available to the
10 Department for inspection or audit.

11 Except as provided in Section 2d of this Act, the rolling
12 stock exemption applies to rolling stock used by an interstate
13 carrier for hire, even just between points in Illinois, if such
14 rolling stock transports, for hire, persons whose journeys or
15 property whose shipments originate or terminate outside
16 Illinois.

17 Any informal rulings, opinions or letters issued by the
18 Department in response to an inquiry or request for any opinion
19 from any person regarding the coverage and applicability of
20 exemption (e) to specific devices shall be published,
21 maintained as a public record, and made available for public
22 inspection and copying. If the informal ruling, opinion or
23 letter contains trade secrets or other confidential
24 information, where possible the Department shall delete such
25 information prior to publication. Whenever such informal
26 rulings, opinions, or letters contain any policy of general

1 applicability, the Department shall formulate and adopt such
2 policy as a rule in accordance with the provisions of the
3 Illinois Administrative Procedure Act.

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

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

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

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

15 (Source: P.A. 98-583, eff. 1-1-14.)

16 Section 20-20. The Retailers' Occupation Tax Act is amended
17 by changing Sections 2-5 and 2-50 as follows:

18 (35 ILCS 120/2-5)

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

22 (1) Farm chemicals.

23 (2) Farm machinery and equipment, both new and used,
24 including that manufactured on special order, certified by the

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

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

26 Farm machinery and equipment also includes computers,

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

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

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

23 (5) A motor vehicle that is used for automobile renting, as
24 defined in the Automobile Renting Occupation and Use Tax Act.
25 This paragraph is exempt from the provisions of Section 2-70.

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

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

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

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

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

24 (10) Personal property sold by a corporation, society,
25 association, foundation, institution, or organization, other
26 than a limited liability company, that is organized and

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

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

19 (12) Through December 31, 2016, tangible ~~Tangible~~ personal
20 property sold to interstate carriers for hire for use as
21 rolling stock moving in interstate commerce or to lessors under
22 leases of one year or longer executed or in effect at the time
23 of purchase by interstate carriers for hire for use as rolling
24 stock moving in interstate commerce and equipment operated by a
25 telecommunications provider, licensed as a common carrier by
26 the Federal Communications Commission, which is permanently

1 installed in or affixed to aircraft moving in interstate
2 commerce.

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

21 (13) Through December 31, 2016, proceeds ~~Proceeds~~ from
22 sales to owners, lessors, or shippers of tangible personal
23 property that is utilized by interstate carriers for hire for
24 use as rolling stock moving in interstate commerce and
25 equipment operated by a telecommunications provider, licensed
26 as a common carrier by the Federal Communications Commission,

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

3 (14) Machinery and equipment that will be used by the
4 purchaser, or a lessee of the purchaser, primarily in the
5 process of manufacturing or assembling tangible personal
6 property for wholesale or retail sale or lease, whether the
7 sale or lease is made directly by the manufacturer or by some
8 other person, whether the materials used in the process are
9 owned by the manufacturer or some other person, or whether the
10 sale or lease is made apart from or as an incident to the
11 seller's engaging in the service occupation of producing
12 machines, tools, dies, jigs, patterns, gauges, or other similar
13 items of no commercial value on special order for a particular
14 purchaser. The exemption provided by this paragraph (14) does
15 not include machinery and equipment used in (i) the generation
16 of electricity for wholesale or retail sale; (ii) the
17 generation or treatment of natural or artificial gas for
18 wholesale or retail sale that is delivered to customers through
19 pipes, pipelines, or mains; or (iii) the treatment of water for
20 wholesale or retail sale that is delivered to customers through
21 pipes, pipelines, or mains. The provisions of Public Act 98-583
22 are declaratory of existing law as to the meaning and scope of
23 this exemption.

24 (15) Proceeds of mandatory service charges separately
25 stated on customers' bills for purchase and consumption of food
26 and beverages, to the extent that the proceeds of the service

1 charge are in fact turned over as tips or as a substitute for
2 tips to the employees who participate directly in preparing,
3 serving, hosting or cleaning up the food or beverage function
4 with respect to which the service charge is imposed.

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

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

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

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

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

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

8 (21) Coal and aggregate exploration, mining, off-highway
9 hauling, processing, maintenance, and reclamation equipment,
10 including replacement parts and equipment, and including
11 equipment purchased for lease, but excluding motor vehicles
12 required to be registered under the Illinois Vehicle Code. The
13 changes made to this Section by Public Act 97-767 apply on and
14 after July 1, 2003, but no claim for credit or refund is
15 allowed on or after August 16, 2013 (the effective date of
16 Public Act 98-456) for such taxes paid during the period
17 beginning July 1, 2003 and ending on August 16, 2013 (the
18 effective date of Public Act 98-456).

19 (22) Until June 30, 2013, fuel and petroleum products sold
20 to or used by an air carrier, certified by the carrier to be
21 used for consumption, shipment, or storage in the conduct of
22 its business as an air common carrier, for a flight destined
23 for or returning from a location or locations outside the
24 United States without regard to previous or subsequent domestic
25 stopovers.

26 Beginning July 1, 2013, fuel and petroleum products sold to

1 or used by an air carrier, certified by the carrier to be used
2 for consumption, shipment, or storage in the conduct of its
3 business as an air common carrier, for a flight that (i) is
4 engaged in foreign trade or is engaged in trade between the
5 United States and any of its possessions and (ii) transports at
6 least one individual or package for hire from the city of
7 origination to the city of final destination on the same
8 aircraft, without regard to a change in the flight number of
9 that aircraft.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (35) Beginning January 1, 2000 and through December 31,
23 2001, new or used automatic vending machines that prepare and
24 serve hot food and beverages, including coffee, soup, and other
25 items, and replacement parts for these machines. Beginning
26 January 1, 2002 and through June 30, 2003, machines and parts

1 for machines used in commercial, coin-operated amusement and
2 vending business if a use or occupation tax is paid on the
3 gross receipts derived from the use of the commercial,
4 coin-operated amusement and vending machines. This paragraph
5 is exempt from the provisions of Section 2-70.

6 (35-5) Beginning August 23, 2001 and through June 30, 2016,
7 food for human consumption that is to be consumed off the
8 premises where it is sold (other than alcoholic beverages, soft
9 drinks, and food that has been prepared for immediate
10 consumption) and prescription and nonprescription medicines,
11 drugs, medical appliances, and insulin, urine testing
12 materials, syringes, and needles used by diabetics, for human
13 use, when purchased for use by a person receiving medical
14 assistance under Article V of the Illinois Public Aid Code who
15 resides in a licensed long-term care facility, as defined in
16 the Nursing Home Care Act, or a licensed facility as defined in
17 the ID/DD Community Care Act, the MC/DD Act, or the Specialized
18 Mental Health Rehabilitation Act of 2013.

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

1 provisions of Section 2-70.

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

9 (38) Beginning on January 1, 2002 and through June 30,
10 2016, tangible personal property purchased from an Illinois
11 retailer by a taxpayer engaged in centralized purchasing
12 activities in Illinois who will, upon receipt of the property
13 in Illinois, temporarily store the property in Illinois (i) for
14 the purpose of subsequently transporting it outside this State
15 for use or consumption thereafter solely outside this State or
16 (ii) for the purpose of being processed, fabricated, or
17 manufactured into, attached to, or incorporated into other
18 tangible personal property to be transported outside this State
19 and thereafter used or consumed solely outside this State. The
20 Director of Revenue shall, pursuant to rules adopted in
21 accordance with the Illinois Administrative Procedure Act,
22 issue a permit to any taxpayer in good standing with the
23 Department who is eligible for the exemption under this
24 paragraph (38). The permit issued under this paragraph (38)
25 shall authorize the holder, to the extent and in the manner
26 specified in the rules adopted under this Act, to purchase

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

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

13 (40) Beginning January 1, 2010, 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 the sale of qualifying
2 tangible personal property to persons who modify, refurbish,
3 complete, replace, or maintain an aircraft and who (i) hold an
4 Air Agency Certificate and are empowered to operate an approved
5 repair station by the Federal Aviation Administration, (ii)
6 have a Class IV Rating, and (iii) conduct operations in
7 accordance with Part 145 of the Federal Aviation Regulations.
8 The exemption does not include aircraft operated by a
9 commercial air carrier providing scheduled passenger air
10 service pursuant to authority issued under Part 121 or Part 129
11 of the Federal Aviation Regulations. The changes made to this
12 paragraph (40) by Public Act 98-534 are declarative of existing
13 law.

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

1 This paragraph is exempt from the provisions of Section 2-70.

2 (42) Beginning January 1, 2017, menstrual pads, tampons,
3 and menstrual cups.

4 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
5 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
6 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
7 7-29-15; 99-855, eff. 8-19-16.)

8 (35 ILCS 120/2-50) (from Ch. 120, par. 441-50)

9 Sec. 2-50. Rolling stock exemption. Except as provided in
10 Section 2-51 of this Act, through June 30, 2016, the ~~the~~
11 rolling stock exemption applies to rolling stock used by an
12 interstate carrier for hire, even just between points in
13 Illinois, if the rolling stock transports, for hire, persons
14 whose journeys or property whose shipments originate or
15 terminate outside Illinois.

16 (Source: P.A. 93-23, eff. 6-20-03.)

17 ARTICLE 25. GASOHOL

18 Section 25-5. The Use Tax Act is amended by changing
19 Section 3-10 as follows:

20 (35 ILCS 105/3-10)

21 Sec. 3-10. Rate of tax. Unless otherwise provided in this
22 Section, the tax imposed by this Act is at the rate of 6.25% of

1 either the selling price or the fair market value, if any, of
2 the tangible personal property. In all cases where property
3 functionally used or consumed is the same as the property that
4 was purchased at retail, then the tax is imposed on the selling
5 price of the property. In all cases where property functionally
6 used or consumed is a by-product or waste product that has been
7 refined, manufactured, or produced from property purchased at
8 retail, then the tax is imposed on the lower of the fair market
9 value, if any, of the specific property so used in this State
10 or on the selling price of the property purchased at retail.
11 For purposes of this Section "fair market value" means the
12 price at which property would change hands between a willing
13 buyer and a willing seller, neither being under any compulsion
14 to buy or sell and both having reasonable knowledge of the
15 relevant facts. The fair market value shall be established by
16 Illinois sales by the taxpayer of the same property as that
17 functionally used or consumed, or if there are no such sales by
18 the taxpayer, then comparable sales or purchases of property of
19 like kind and character in Illinois.

20 Beginning on July 1, 2000 and through December 31, 2000,
21 with respect to motor fuel, as defined in Section 1.1 of the
22 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
23 the Use Tax Act, the tax is imposed at the rate of 1.25%.

24 Beginning on August 6, 2010 through August 15, 2010, with
25 respect to sales tax holiday items as defined in Section 3-6 of
26 this Act, the tax is imposed at the rate of 1.25%.

1 With respect to gasohol, the tax imposed by this Act
2 applies to (i) 70% of the proceeds of sales made on or after
3 January 1, 1990, and before July 1, 2003, (ii) 80% of the
4 proceeds of sales made on or after July 1, 2003 and on or
5 before December 31, 2016 ~~December 31, 2018~~, and (iii) 100% of
6 the proceeds of sales made thereafter. If, at any time,
7 however, the tax under this Act on sales of gasohol is imposed
8 at the rate of 1.25%, then the tax imposed by this Act applies
9 to 100% of the proceeds of sales of gasohol made during that
10 time.

11 With respect to majority blended ethanol fuel, the tax
12 imposed by this Act does not apply to the proceeds of sales
13 made on or after July 1, 2003 and on or before December 31,
14 2018 but applies to 100% of the proceeds of sales made
15 thereafter.

16 With respect to biodiesel blends with no less than 1% and
17 no more than 10% biodiesel, the tax imposed by this Act applies
18 to (i) 80% of the proceeds of sales made on or after July 1,
19 2003 and on or before December 31, 2018 and (ii) 100% of the
20 proceeds of sales made thereafter. If, at any time, however,
21 the tax under this Act on sales of biodiesel blends with no
22 less than 1% and no more than 10% biodiesel is imposed at the
23 rate of 1.25%, then the tax imposed by this Act applies to 100%
24 of the proceeds of sales of biodiesel blends with no less than
25 1% and no more than 10% biodiesel made during that time.

26 With respect to 100% biodiesel and biodiesel blends with

1 more than 10% but no more than 99% biodiesel, the tax imposed
2 by this Act does not apply to the proceeds of sales made on or
3 after July 1, 2003 and on or before December 31, 2018 but
4 applies to 100% of the proceeds of sales made thereafter.

5 With respect to food for human consumption that is to be
6 consumed off the premises where it is sold (other than
7 alcoholic beverages, soft drinks, and food that has been
8 prepared for immediate consumption) and prescription and
9 nonprescription medicines, drugs, medical appliances, products
10 classified as Class III medical devices by the United States
11 Food and Drug Administration that are used for cancer treatment
12 pursuant to a prescription, as well as any accessories and
13 components related to those devices, modifications to a motor
14 vehicle for the purpose of rendering it usable by a person with
15 a disability, and insulin, urine testing materials, syringes,
16 and needles used by diabetics, for human use, the tax is
17 imposed at the rate of 1%. For the purposes of this Section,
18 until September 1, 2009: the term "soft drinks" means any
19 complete, finished, ready-to-use, non-alcoholic drink, whether
20 carbonated or not, including but not limited to soda water,
21 cola, fruit juice, vegetable juice, carbonated water, and all
22 other preparations commonly known as soft drinks of whatever
23 kind or description that are contained in any closed or sealed
24 bottle, can, carton, or container, regardless of size; but
25 "soft drinks" does not include coffee, tea, non-carbonated
26 water, infant formula, milk or milk products as defined in the

1 Grade A Pasteurized Milk and Milk Products Act, or drinks
2 containing 50% or more natural fruit or vegetable juice.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "soft drinks" means non-alcoholic
5 beverages that contain natural or artificial sweeteners. "Soft
6 drinks" do not include beverages that contain milk or milk
7 products, soy, rice or similar milk substitutes, or greater
8 than 50% of vegetable or fruit juice by volume.

9 Until August 1, 2009, and notwithstanding any other
10 provisions of this Act, "food for human consumption that is to
11 be consumed off the premises where it is sold" includes all
12 food sold through a vending machine, except soft drinks and
13 food products that are dispensed hot from a vending machine,
14 regardless of the location of the vending machine. Beginning
15 August 1, 2009, and notwithstanding any other provisions of
16 this Act, "food for human consumption that is to be consumed
17 off the premises where it is sold" includes all food sold
18 through a vending machine, except soft drinks, candy, and food
19 products that are dispensed hot from a vending machine,
20 regardless of the location of the vending machine.

21 Notwithstanding any other provisions of this Act,
22 beginning September 1, 2009, "food for human consumption that
23 is to be consumed off the premises where it is sold" does not
24 include candy. For purposes of this Section, "candy" means a
25 preparation of sugar, honey, or other natural or artificial
26 sweeteners in combination with chocolate, fruits, nuts or other

1 ingredients or flavorings in the form of bars, drops, or
2 pieces. "Candy" does not include any preparation that contains
3 flour or requires refrigeration.

4 Notwithstanding any other provisions of this Act,
5 beginning September 1, 2009, "nonprescription medicines and
6 drugs" does not include grooming and hygiene products. For
7 purposes of this Section, "grooming and hygiene products"
8 includes, but is not limited to, soaps and cleaning solutions,
9 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
10 lotions and screens, unless those products are available by
11 prescription only, regardless of whether the products meet the
12 definition of "over-the-counter-drugs". For the purposes of
13 this paragraph, "over-the-counter-drug" means a drug for human
14 use that contains a label that identifies the product as a drug
15 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
16 label includes:

17 (A) A "Drug Facts" panel; or

18 (B) A statement of the "active ingredient(s)" with a
19 list of those ingredients contained in the compound,
20 substance or preparation.

21 Beginning on the effective date of this amendatory Act of
22 the 98th General Assembly, "prescription and nonprescription
23 medicines and drugs" includes medical cannabis purchased from a
24 registered dispensing organization under the Compassionate Use
25 of Medical Cannabis Pilot Program Act.

26 If the property that is purchased at retail from a retailer

1 is acquired outside Illinois and used outside Illinois before
2 being brought to Illinois for use here and is taxable under
3 this Act, the "selling price" on which the tax is computed
4 shall be reduced by an amount that represents a reasonable
5 allowance for depreciation for the period of prior out-of-state
6 use.

7 (Source: P.A. 98-122, eff. 1-1-14; 99-143, eff. 7-27-15;
8 99-858, eff. 8-19-16.)

9 Section 25-10. The Service Use Tax Act is amended by
10 changing Section 3-10 as follows:

11 (35 ILCS 110/3-10) (from Ch. 120, par. 439.33-10)

12 Sec. 3-10. Rate of tax. Unless otherwise provided in this
13 Section, the tax imposed by this Act is at the rate of 6.25% of
14 the selling price of tangible personal property transferred as
15 an incident to the sale of service, but, for the purpose of
16 computing this tax, in no event shall the selling price be less
17 than the cost price of the property to the serviceman.

18 Beginning on July 1, 2000 and through December 31, 2000,
19 with respect to motor fuel, as defined in Section 1.1 of the
20 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
21 the Use Tax Act, the tax is imposed at the rate of 1.25%.

22 With respect to gasohol, as defined in the Use Tax Act, the
23 tax imposed by this Act applies to (i) 70% of the selling price
24 of property transferred as an incident to the sale of service

1 on or after January 1, 1990, and before July 1, 2003, (ii) 80%
2 of the selling price of property transferred as an incident to
3 the sale of service on or after July 1, 2003 and on or before
4 December 31, 2016 ~~December 31, 2018~~, and (iii) 100% of the
5 selling price thereafter. If, at any time, however, the tax
6 under this Act on sales of gasohol, as defined in the Use Tax
7 Act, is imposed at the rate of 1.25%, then the tax imposed by
8 this Act applies to 100% of the proceeds of sales of gasohol
9 made during that time.

10 With respect to majority blended ethanol fuel, as defined
11 in the Use Tax Act, the tax imposed by this Act does not apply
12 to the selling price of property transferred as an incident to
13 the sale of service on or after July 1, 2003 and on or before
14 December 31, 2018 but applies to 100% of the selling price
15 thereafter.

16 With respect to biodiesel blends, as defined in the Use Tax
17 Act, with no less than 1% and no more than 10% biodiesel, the
18 tax imposed by this Act applies to (i) 80% of the selling price
19 of property transferred as an incident to the sale of service
20 on or after July 1, 2003 and on or before December 31, 2018 and
21 (ii) 100% of the proceeds of the selling price thereafter. If,
22 at any time, however, the tax under this Act on sales of
23 biodiesel blends, as defined in the Use Tax Act, with no less
24 than 1% and no more than 10% biodiesel is imposed at the rate
25 of 1.25%, then the tax imposed by this Act applies to 100% of
26 the proceeds of sales of biodiesel blends with no less than 1%

1 and no more than 10% biodiesel made during that time.

2 With respect to 100% biodiesel, as defined in the Use Tax
3 Act, and biodiesel blends, as defined in the Use Tax Act, with
4 more than 10% but no more than 99% biodiesel, the tax imposed
5 by this Act does not apply to the proceeds of the selling price
6 of property transferred as an incident to the sale of service
7 on or after July 1, 2003 and on or before December 31, 2018 but
8 applies to 100% of the selling price thereafter.

9 At the election of any registered serviceman made for each
10 fiscal year, sales of service in which the aggregate annual
11 cost price of tangible personal property transferred as an
12 incident to the sales of service is less than 35%, or 75% in
13 the case of servicemen transferring prescription drugs or
14 servicemen engaged in graphic arts production, of the aggregate
15 annual total gross receipts from all sales of service, the tax
16 imposed by this Act shall be based on the serviceman's cost
17 price of the tangible personal property transferred as an
18 incident to the sale of those services.

19 The tax shall be imposed at the rate of 1% on food prepared
20 for immediate consumption and transferred incident to a sale of
21 service subject to this Act or the Service Occupation Tax Act
22 by an entity licensed under the Hospital Licensing Act, the
23 Nursing Home Care Act, the ID/DD Community Care Act, the MC/DD
24 Act, the Specialized Mental Health Rehabilitation Act of 2013,
25 or the Child Care Act of 1969. The tax shall also be imposed at
26 the rate of 1% on food for human consumption that is to be

1 consumed off the premises where it is sold (other than
2 alcoholic beverages, soft drinks, and food that has been
3 prepared for immediate consumption and is not otherwise
4 included in this paragraph) and prescription and
5 nonprescription medicines, drugs, medical appliances, products
6 classified as Class III medical devices by the United States
7 Food and Drug Administration that are used for cancer treatment
8 pursuant to a prescription, as well as any accessories and
9 components related to those devices, modifications to a motor
10 vehicle for the purpose of rendering it usable by a person with
11 a disability, and insulin, urine testing materials, syringes,
12 and needles used by diabetics, for human use. For the purposes
13 of this Section, until September 1, 2009: the term "soft
14 drinks" means any complete, finished, ready-to-use,
15 non-alcoholic drink, whether carbonated or not, including but
16 not limited to soda water, cola, fruit juice, vegetable juice,
17 carbonated water, and all other preparations commonly known as
18 soft drinks of whatever kind or description that are contained
19 in any closed or sealed bottle, can, carton, or container,
20 regardless of size; but "soft drinks" does not include coffee,
21 tea, non-carbonated water, infant formula, milk or milk
22 products as defined in the Grade A Pasteurized Milk and Milk
23 Products Act, or drinks containing 50% or more natural fruit or
24 vegetable juice.

25 Notwithstanding any other provisions of this Act,
26 beginning September 1, 2009, "soft drinks" means non-alcoholic

1 beverages that contain natural or artificial sweeteners. "Soft
2 drinks" do not include beverages that contain milk or milk
3 products, soy, rice or similar milk substitutes, or greater
4 than 50% of vegetable or fruit juice by volume.

5 Until August 1, 2009, and notwithstanding any other
6 provisions of this Act, "food for human consumption that is to
7 be consumed off the premises where it is sold" includes all
8 food sold through a vending machine, except soft drinks and
9 food products that are dispensed hot from a vending machine,
10 regardless of the location of the vending machine. Beginning
11 August 1, 2009, and notwithstanding any other provisions of
12 this Act, "food for human consumption that is to be consumed
13 off the premises where it is sold" includes all food sold
14 through a vending machine, except soft drinks, candy, and food
15 products that are dispensed hot from a vending machine,
16 regardless of the location of the vending machine.

17 Notwithstanding any other provisions of this Act,
18 beginning September 1, 2009, "food for human consumption that
19 is to be consumed off the premises where it is sold" does not
20 include candy. For purposes of this Section, "candy" means a
21 preparation of sugar, honey, or other natural or artificial
22 sweeteners in combination with chocolate, fruits, nuts or other
23 ingredients or flavorings in the form of bars, drops, or
24 pieces. "Candy" does not include any preparation that contains
25 flour or requires refrigeration.

26 Notwithstanding any other provisions of this Act,

1 beginning September 1, 2009, "nonprescription medicines and
2 drugs" does not include grooming and hygiene products. For
3 purposes of this Section, "grooming and hygiene products"
4 includes, but is not limited to, soaps and cleaning solutions,
5 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
6 lotions and screens, unless those products are available by
7 prescription only, regardless of whether the products meet the
8 definition of "over-the-counter-drugs". For the purposes of
9 this paragraph, "over-the-counter-drug" means a drug for human
10 use that contains a label that identifies the product as a drug
11 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
12 label includes:

13 (A) A "Drug Facts" panel; or

14 (B) A statement of the "active ingredient(s)" with a
15 list of those ingredients contained in the compound,
16 substance or preparation.

17 Beginning on January 1, 2014 (the effective date of Public
18 Act 98-122), "prescription and nonprescription medicines and
19 drugs" includes medical cannabis purchased from a registered
20 dispensing organization under the Compassionate Use of Medical
21 Cannabis Pilot Program Act.

22 If the property that is acquired from a serviceman is
23 acquired outside Illinois and used outside Illinois before
24 being brought to Illinois for use here and is taxable under
25 this Act, the "selling price" on which the tax is computed
26 shall be reduced by an amount that represents a reasonable

1 allowance for depreciation for the period of prior out-of-state
2 use.

3 (Source: P.A. 98-104, eff. 7-22-13; 98-122, eff. 1-1-14;
4 98-756, eff. 7-16-14; 99-143, eff. 7-27-15; 99-180, eff.
5 7-29-15; 99-642, eff. 7-28-16; 99-858, eff. 8-19-16.)

6 Section 25-15. The Service Occupation Tax Act is amended by
7 changing Section 3-10 as follows:

8 (35 ILCS 115/3-10) (from Ch. 120, par. 439.103-10)

9 Sec. 3-10. Rate of tax. Unless otherwise provided in this
10 Section, the tax imposed by this Act is at the rate of 6.25% of
11 the "selling price", as defined in Section 2 of the Service Use
12 Tax Act, of the tangible personal property. For the purpose of
13 computing this tax, in no event shall the "selling price" be
14 less than the cost price to the serviceman of the tangible
15 personal property transferred. The selling price of each item
16 of tangible personal property transferred as an incident of a
17 sale of service may be shown as a distinct and separate item on
18 the serviceman's billing to the service customer. If the
19 selling price is not so shown, the selling price of the
20 tangible personal property is deemed to be 50% of the
21 serviceman's entire billing to the service customer. When,
22 however, a serviceman contracts to design, develop, and produce
23 special order machinery or equipment, the tax imposed by this
24 Act shall be based on the serviceman's cost price of the

1 tangible personal property transferred incident to the
2 completion of the contract.

3 Beginning on July 1, 2000 and through December 31, 2000,
4 with respect to motor fuel, as defined in Section 1.1 of the
5 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
6 the Use Tax Act, the tax is imposed at the rate of 1.25%.

7 With respect to gasohol, as defined in the Use Tax Act, the
8 tax imposed by this Act shall apply to (i) 70% of the cost
9 price of property transferred as an incident to the sale of
10 service on or after January 1, 1990, and before July 1, 2003,
11 (ii) 80% of the selling price of property transferred as an
12 incident to the sale of service on or after July 1, 2003 and on
13 or before December 31, 2016 ~~December 31, 2018~~, and (iii) 100%
14 of the cost price thereafter. If, at any time, however, the tax
15 under this Act on sales of gasohol, as defined in the Use Tax
16 Act, is imposed at the rate of 1.25%, then the tax imposed by
17 this Act applies to 100% of the proceeds of sales of gasohol
18 made during that time.

19 With respect to majority blended ethanol fuel, as defined
20 in the Use Tax Act, the tax imposed by this Act does not apply
21 to the selling price of property transferred as an incident to
22 the sale of service on or after July 1, 2003 and on or before
23 December 31, 2018 but applies to 100% of the selling price
24 thereafter.

25 With respect to biodiesel blends, as defined in the Use Tax
26 Act, with no less than 1% and no more than 10% biodiesel, the

1 tax imposed by this Act applies to (i) 80% of the selling price
2 of property transferred as an incident to the sale of service
3 on or after July 1, 2003 and on or before December 31, 2018 and
4 (ii) 100% of the proceeds of the selling price thereafter. If,
5 at any time, however, the tax under this Act on sales of
6 biodiesel blends, as defined in the Use Tax Act, with no less
7 than 1% and no more than 10% biodiesel is imposed at the rate
8 of 1.25%, then the tax imposed by this Act applies to 100% of
9 the proceeds of sales of biodiesel blends with no less than 1%
10 and no more than 10% biodiesel made during that time.

11 With respect to 100% biodiesel, as defined in the Use Tax
12 Act, and biodiesel blends, as defined in the Use Tax Act, with
13 more than 10% but no more than 99% biodiesel material, the tax
14 imposed by this Act does not apply to the proceeds of the
15 selling price of property transferred as an incident to the
16 sale of service on or after July 1, 2003 and on or before
17 December 31, 2018 but applies to 100% of the selling price
18 thereafter.

19 At the election of any registered serviceman made for each
20 fiscal year, sales of service in which the aggregate annual
21 cost price of tangible personal property transferred as an
22 incident to the sales of service is less than 35%, or 75% in
23 the case of servicemen transferring prescription drugs or
24 servicemen engaged in graphic arts production, of the aggregate
25 annual total gross receipts from all sales of service, the tax
26 imposed by this Act shall be based on the serviceman's cost

1 price of the tangible personal property transferred incident to
2 the sale of those services.

3 The tax shall be imposed at the rate of 1% on food prepared
4 for immediate consumption and transferred incident to a sale of
5 service subject to this Act or the Service Occupation Tax Act
6 by an entity licensed under the Hospital Licensing Act, the
7 Nursing Home Care Act, the ID/DD Community Care Act, the MC/DD
8 Act, the Specialized Mental Health Rehabilitation Act of 2013,
9 or the Child Care Act of 1969. The tax shall also be imposed at
10 the rate of 1% on food for human consumption that is to be
11 consumed off the premises where it is sold (other than
12 alcoholic beverages, soft drinks, and food that has been
13 prepared for immediate consumption and is not otherwise
14 included in this paragraph) and prescription and
15 nonprescription medicines, drugs, medical appliances, products
16 classified as Class III medical devices by the United States
17 Food and Drug Administration that are used for cancer treatment
18 pursuant to a prescription, as well as any accessories and
19 components related to those devices, modifications to a motor
20 vehicle for the purpose of rendering it usable by a person with
21 a disability, and insulin, urine testing materials, syringes,
22 and needles used by diabetics, for human use. For the purposes
23 of this Section, until September 1, 2009: the term "soft
24 drinks" means any complete, finished, ready-to-use,
25 non-alcoholic drink, whether carbonated or not, including but
26 not limited to soda water, cola, fruit juice, vegetable juice,

1 carbonated water, and all other preparations commonly known as
2 soft drinks of whatever kind or description that are contained
3 in any closed or sealed can, carton, or container, regardless
4 of size; but "soft drinks" does not include coffee, tea,
5 non-carbonated water, infant formula, milk or milk products as
6 defined in the Grade A Pasteurized Milk and Milk Products Act,
7 or drinks containing 50% or more natural fruit or vegetable
8 juice.

9 Notwithstanding any other provisions of this Act,
10 beginning September 1, 2009, "soft drinks" means non-alcoholic
11 beverages that contain natural or artificial sweeteners. "Soft
12 drinks" do not include beverages that contain milk or milk
13 products, soy, rice or similar milk substitutes, or greater
14 than 50% of vegetable or fruit juice by volume.

15 Until August 1, 2009, and notwithstanding any other
16 provisions of this Act, "food for human consumption that is to
17 be consumed off the premises where it is sold" includes all
18 food sold through a vending machine, except soft drinks and
19 food products that are dispensed hot from a vending machine,
20 regardless of the location of the vending machine. Beginning
21 August 1, 2009, and notwithstanding any other provisions of
22 this Act, "food for human consumption that is to be consumed
23 off the premises where it is sold" includes all food sold
24 through a vending machine, except soft drinks, candy, and food
25 products that are dispensed hot from a vending machine,
26 regardless of the location of the vending machine.

1 Notwithstanding any other provisions of this Act,
2 beginning September 1, 2009, "food for human consumption that
3 is to be consumed off the premises where it is sold" does not
4 include candy. For purposes of this Section, "candy" means a
5 preparation of sugar, honey, or other natural or artificial
6 sweeteners in combination with chocolate, fruits, nuts or other
7 ingredients or flavorings in the form of bars, drops, or
8 pieces. "Candy" does not include any preparation that contains
9 flour or requires refrigeration.

10 Notwithstanding any other provisions of this Act,
11 beginning September 1, 2009, "nonprescription medicines and
12 drugs" does not include grooming and hygiene products. For
13 purposes of this Section, "grooming and hygiene products"
14 includes, but is not limited to, soaps and cleaning solutions,
15 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
16 lotions and screens, unless those products are available by
17 prescription only, regardless of whether the products meet the
18 definition of "over-the-counter-drugs". For the purposes of
19 this paragraph, "over-the-counter-drug" means a drug for human
20 use that contains a label that identifies the product as a drug
21 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
22 label includes:

23 (A) A "Drug Facts" panel; or

24 (B) A statement of the "active ingredient(s)" with a
25 list of those ingredients contained in the compound,
26 substance or preparation.

1 Beginning on January 1, 2014 (the effective date of Public
2 Act 98-122), "prescription and nonprescription medicines and
3 drugs" includes medical cannabis purchased from a registered
4 dispensing organization under the Compassionate Use of Medical
5 Cannabis Pilot Program Act.

6 (Source: P.A. 98-104, eff. 7-22-13; 98-122, eff. 1-1-14;
7 98-756, eff. 7-16-14; 99-143, eff. 7-27-15; 99-180, eff.
8 7-29-15; 99-642, eff. 7-28-16; 99-858, eff. 8-19-16.)

9 Section 25-20. The Retailers' Occupation Tax Act is amended
10 by changing Section 2-10 as follows:

11 (35 ILCS 120/2-10)

12 Sec. 2-10. Rate of tax. Unless otherwise provided in this
13 Section, the tax imposed by this Act is at the rate of 6.25% of
14 gross receipts from sales of tangible personal property made in
15 the course of business.

16 Beginning on July 1, 2000 and through December 31, 2000,
17 with respect to motor fuel, as defined in Section 1.1 of the
18 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
19 the Use Tax Act, the tax is imposed at the rate of 1.25%.

20 Beginning on August 6, 2010 through August 15, 2010, with
21 respect to sales tax holiday items as defined in Section 2-8 of
22 this Act, the tax is imposed at the rate of 1.25%.

23 Within 14 days after the effective date of this amendatory
24 Act of the 91st General Assembly, each retailer of motor fuel

1 and gasohol shall cause the following notice to be posted in a
2 prominently visible place on each retail dispensing device that
3 is used to dispense motor fuel or gasohol in the State of
4 Illinois: "As of July 1, 2000, the State of Illinois has
5 eliminated the State's share of sales tax on motor fuel and
6 gasohol through December 31, 2000. The price on this pump
7 should reflect the elimination of the tax." The notice shall be
8 printed in bold print on a sign that is no smaller than 4
9 inches by 8 inches. The sign shall be clearly visible to
10 customers. Any retailer who fails to post or maintain a
11 required sign through December 31, 2000 is guilty of a petty
12 offense for which the fine shall be \$500 per day per each
13 retail premises where a violation occurs.

14 With respect to gasohol, as defined in the Use Tax Act, the
15 tax imposed by this Act applies to (i) 70% of the proceeds of
16 sales made on or after January 1, 1990, and before July 1,
17 2003, (ii) 80% of the proceeds of sales made on or after July
18 1, 2003 and on or before December 31, 2016 ~~December 31, 2018~~,
19 and (iii) 100% of the proceeds of sales made thereafter. If, at
20 any time, however, the tax under this Act on sales of gasohol,
21 as defined in the Use Tax Act, is imposed at the rate of 1.25%,
22 then the tax imposed by this Act applies to 100% of the
23 proceeds of sales of gasohol made during that time.

24 With respect to majority blended ethanol fuel, as defined
25 in the Use Tax Act, the tax imposed by this Act does not apply
26 to the proceeds of sales made on or after July 1, 2003 and on or

1 before December 31, 2018 but applies to 100% of the proceeds of
2 sales made thereafter.

3 With respect to biodiesel blends, as defined in the Use Tax
4 Act, with no less than 1% and no more than 10% biodiesel, the
5 tax imposed by this Act applies to (i) 80% of the proceeds of
6 sales made on or after July 1, 2003 and on or before December
7 31, 2018 and (ii) 100% of the proceeds of sales made
8 thereafter. If, at any time, however, the tax under this Act on
9 sales of biodiesel blends, as defined in the Use Tax Act, with
10 no less than 1% and no more than 10% biodiesel is imposed at
11 the rate of 1.25%, then the tax imposed by this Act applies to
12 100% of the proceeds of sales of biodiesel blends with no less
13 than 1% and no more than 10% biodiesel made during that time.

14 With respect to 100% biodiesel, as defined in the Use Tax
15 Act, and biodiesel blends, as defined in the Use Tax Act, with
16 more than 10% but no more than 99% biodiesel, the tax imposed
17 by this Act does not apply to the proceeds of sales made on or
18 after July 1, 2003 and on or before December 31, 2018 but
19 applies to 100% of the proceeds of sales made thereafter.

20 With respect to food for human consumption that is to be
21 consumed off the premises where it is sold (other than
22 alcoholic beverages, soft drinks, and food that has been
23 prepared for immediate consumption) and prescription and
24 nonprescription medicines, drugs, medical appliances, products
25 classified as Class III medical devices by the United States
26 Food and Drug Administration that are used for cancer treatment

1 pursuant to a prescription, as well as any accessories and
2 components related to those devices, modifications to a motor
3 vehicle for the purpose of rendering it usable by a person with
4 a disability, and insulin, urine testing materials, syringes,
5 and needles used by diabetics, for human use, the tax is
6 imposed at the rate of 1%. For the purposes of this Section,
7 until September 1, 2009: the term "soft drinks" means any
8 complete, finished, ready-to-use, non-alcoholic drink, whether
9 carbonated or not, including but not limited to soda water,
10 cola, fruit juice, vegetable juice, carbonated water, and all
11 other preparations commonly known as soft drinks of whatever
12 kind or description that are contained in any closed or sealed
13 bottle, can, carton, or container, regardless of size; but
14 "soft drinks" does not include coffee, tea, non-carbonated
15 water, infant formula, milk or milk products as defined in the
16 Grade A Pasteurized Milk and Milk Products Act, or drinks
17 containing 50% or more natural fruit or vegetable juice.

18 Notwithstanding any other provisions of this Act,
19 beginning September 1, 2009, "soft drinks" means non-alcoholic
20 beverages that contain natural or artificial sweeteners. "Soft
21 drinks" do not include beverages that contain milk or milk
22 products, soy, rice or similar milk substitutes, or greater
23 than 50% of vegetable or fruit juice by volume.

24 Until August 1, 2009, and notwithstanding any other
25 provisions of this Act, "food for human consumption that is to
26 be consumed off the premises where it is sold" includes all

1 food sold through a vending machine, except soft drinks and
2 food products that are dispensed hot from a vending machine,
3 regardless of the location of the vending machine. Beginning
4 August 1, 2009, and notwithstanding any other provisions of
5 this Act, "food for human consumption that is to be consumed
6 off the premises where it is sold" includes all food sold
7 through a vending machine, except soft drinks, candy, and food
8 products that are dispensed hot from a vending machine,
9 regardless of the location of the vending machine.

10 Notwithstanding any other provisions of this Act,
11 beginning September 1, 2009, "food for human consumption that
12 is to be consumed off the premises where it is sold" does not
13 include candy. For purposes of this Section, "candy" means a
14 preparation of sugar, honey, or other natural or artificial
15 sweeteners in combination with chocolate, fruits, nuts or other
16 ingredients or flavorings in the form of bars, drops, or
17 pieces. "Candy" does not include any preparation that contains
18 flour or requires refrigeration.

19 Notwithstanding any other provisions of this Act,
20 beginning September 1, 2009, "nonprescription medicines and
21 drugs" does not include grooming and hygiene products. For
22 purposes of this Section, "grooming and hygiene products"
23 includes, but is not limited to, soaps and cleaning solutions,
24 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
25 lotions and screens, unless those products are available by
26 prescription only, regardless of whether the products meet the

1 definition of "over-the-counter-drugs". For the purposes of
2 this paragraph, "over-the-counter-drug" means a drug for human
3 use that contains a label that identifies the product as a drug
4 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
5 label includes:

6 (A) A "Drug Facts" panel; or

7 (B) A statement of the "active ingredient(s)" with a
8 list of those ingredients contained in the compound,
9 substance or preparation.

10 Beginning on the effective date of this amendatory Act of
11 the 98th General Assembly, "prescription and nonprescription
12 medicines and drugs" includes medical cannabis purchased from a
13 registered dispensing organization under the Compassionate Use
14 of Medical Cannabis Pilot Program Act.

15 (Source: P.A. 98-122, eff. 1-1-14; 99-143, eff. 7-27-15;
16 99-858, eff. 8-19-16.)

17 ARTICLE 30. MANUFACTURING AND ASSEMBLING EXEMPTION

18 Section 30-5. The Use Tax Act is amended by changing
19 Sections 3-5 and 3-50 as follows:

20 (35 ILCS 105/3-5)

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,

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

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

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

25 (4) Personal property purchased by a governmental body, by
26 a corporation, society, association, foundation, or

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

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

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

26 (7) Farm chemicals.

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

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

8 (10) A motor vehicle that is used for automobile renting,
9 as defined in the Automobile Renting Occupation and Use Tax
10 Act.

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

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

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

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

20 (12) Until June 30, 2013, fuel and petroleum products sold
21 to or used by an air common carrier, certified by the carrier
22 to be used for consumption, shipment, or storage in the conduct
23 of its business as an air common carrier, for a flight destined
24 for or returning from a location or locations outside the
25 United States without regard to previous or subsequent domestic
26 stopovers.

1 Beginning July 1, 2013, fuel and petroleum products sold to
2 or used by an air carrier, certified by the carrier to be used
3 for consumption, shipment, or storage in the conduct of its
4 business as an air common carrier, for a flight that (i) is
5 engaged in foreign trade or is engaged in trade between the
6 United States and any of its possessions and (ii) transports at
7 least one individual or package for hire from the city of
8 origination to the city of final destination on the same
9 aircraft, without regard to a change in the flight number of
10 that aircraft.

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

19 (14) 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 (15) Photoprocessing machinery and equipment, including
3 repair and replacement parts, both new and used, including that
4 manufactured on special order, certified by the purchaser to be
5 used primarily for photoprocessing, and including
6 photoprocessing machinery and equipment purchased for lease.

7 (16) Coal and aggregate exploration, mining, off-highway
8 hauling, processing, maintenance, and reclamation equipment,
9 including replacement parts and equipment, and including
10 equipment purchased for lease, but excluding motor vehicles
11 required to be registered under the Illinois Vehicle Code. The
12 changes made to this Section by Public Act 97-767 apply on and
13 after July 1, 2003, but no claim for credit or refund is
14 allowed on or after August 16, 2013 (the effective date of
15 Public Act 98-456) for such taxes paid during the period
16 beginning July 1, 2003 and ending on August 16, 2013 (the
17 effective date of Public Act 98-456).

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

24 (18) Until July 1, 2016, manufacturing ~~Manufacturing~~ and
25 assembling machinery and equipment used primarily in the
26 process of manufacturing or assembling tangible personal

1 property for wholesale or retail sale or lease, whether that
2 sale or lease is made directly by the manufacturer or by some
3 other person, whether the materials used in the process are
4 owned by the manufacturer or some other person, or whether that
5 sale or lease is made apart from or as an incident to the
6 seller's engaging in the service occupation of producing
7 machines, tools, dies, jigs, patterns, gauges, or other similar
8 items of no commercial value on special order for a particular
9 purchaser. The exemption provided by this paragraph (18) does
10 not include machinery and equipment used in (i) the generation
11 of electricity for wholesale or retail sale; (ii) the
12 generation or treatment of natural or artificial gas for
13 wholesale or retail sale that is delivered to customers through
14 pipes, pipelines, or mains; or (iii) the treatment of water for
15 wholesale or retail sale that is delivered to customers through
16 pipes, pipelines, or mains. The provisions of Public Act 98-583
17 are declaratory of existing law as to the meaning and scope of
18 this exemption.

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

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

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

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

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

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

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

1 lessor is liable to pay that amount to the Department.

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

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

24 (26) Beginning July 1, 1999, game or game birds purchased
25 at a "game breeding and hunting preserve area" as that term is
26 used in the Wildlife Code. This paragraph is exempt from the

1 provisions of Section 3-90.

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

20 (28) Beginning January 1, 2000, personal property,
21 including food, purchased through fundraising events for the
22 benefit of a public or private elementary or secondary school,
23 a group of those schools, or one or more school districts if
24 the events are sponsored by an entity recognized by the school
25 district that consists primarily of volunteers and includes
26 parents and teachers of the school children. This paragraph

1 does not apply to fundraising events (i) for the benefit of
2 private home instruction or (ii) for which the fundraising
3 entity purchases the personal property sold at the events from
4 another individual or entity that sold the property for the
5 purpose of resale by the fundraising entity and that profits
6 from the sale to the fundraising entity. This paragraph is
7 exempt from the provisions of Section 3-90.

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

18 (30) Beginning January 1, 2001 and through June 30, 2016,
19 food for human consumption that is to be consumed off the
20 premises where it is sold (other than alcoholic beverages, soft
21 drinks, and food that has been prepared for immediate
22 consumption) and prescription and nonprescription medicines,
23 drugs, medical appliances, and insulin, urine testing
24 materials, syringes, and needles used by diabetics, for human
25 use, when purchased for use by a person receiving medical
26 assistance under Article V of the Illinois Public Aid Code who

1 resides in a licensed long-term care facility, as defined in
2 the Nursing Home Care Act, or in a licensed facility as defined
3 in the ID/DD Community Care Act, the MC/DD Act, or the
4 Specialized Mental Health Rehabilitation Act of 2013.

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

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

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

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

20 (34) 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 3-90.

1 (35) 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 the use of qualifying
16 tangible personal property by persons who modify, refurbish,
17 complete, repair, replace, or maintain aircraft and who (i)
18 hold an Air Agency Certificate and are empowered to operate an
19 approved repair station by the Federal Aviation
20 Administration, (ii) have a Class IV Rating, and (iii) conduct
21 operations in accordance with Part 145 of the Federal Aviation
22 Regulations. The exemption does not include aircraft operated
23 by a commercial air carrier providing scheduled passenger air
24 service pursuant to authority issued under Part 121 or Part 129
25 of the Federal Aviation Regulations. The changes made to this
26 paragraph (35) by Public Act 98-534 are declarative of existing

1 law.

2 (36) Tangible personal property purchased by a
3 public-facilities corporation, as described in Section
4 11-65-10 of the Illinois Municipal Code, for purposes of
5 constructing or furnishing a municipal convention hall, but
6 only if the legal title to the municipal convention hall is
7 transferred to the municipality without any further
8 consideration by or on behalf of the municipality at the time
9 of the completion of the municipal convention hall or upon the
10 retirement or redemption of any bonds or other debt instruments
11 issued by the public-facilities corporation in connection with
12 the development of the municipal convention hall. This
13 exemption includes existing public-facilities corporations as
14 provided in Section 11-65-25 of the Illinois Municipal Code.
15 This paragraph is exempt from the provisions of Section 3-90.

16 (37) Beginning January 1, 2017, menstrual pads, tampons,
17 and menstrual cups.

18 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
19 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
20 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
21 7-29-15; 99-855, eff. 8-19-16.)

22 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

23 Sec. 3-50. Manufacturing and assembly exemption. The
24 manufacturing and assembling machinery and equipment exemption
25 includes machinery and equipment that replaces machinery and

1 equipment in an existing manufacturing facility as well as
2 machinery and equipment that are for use in an expanded or new
3 manufacturing facility. The machinery and equipment exemption
4 also includes machinery and equipment used in the general
5 maintenance or repair of exempt machinery and equipment or for
6 in-house manufacture of exempt machinery and equipment. The
7 machinery and equipment exemption does not include machinery
8 and equipment used in (i) the generation of electricity for
9 wholesale or retail sale; (ii) the generation or treatment of
10 natural or artificial gas for wholesale or retail sale that is
11 delivered to customers through pipes, pipelines, or mains; or
12 (iii) the treatment of water for wholesale or retail sale that
13 is delivered to customers through pipes, pipelines, or mains.
14 The provisions of this amendatory Act of the 98th General
15 Assembly are declaratory of existing law as to the meaning and
16 scope of this exemption. For the purposes of this exemption,
17 terms have the following meanings:

18 (1) "Manufacturing process" means the production of an
19 article of tangible personal property, whether the article
20 is a finished product or an article for use in the process
21 of manufacturing or assembling a different article of
22 tangible personal property, by a procedure commonly
23 regarded as manufacturing, processing, fabricating, or
24 refining that changes some existing material into a
25 material with a different form, use, or name. In relation
26 to a recognized integrated business composed of a series of

1 operations that collectively constitute manufacturing, or
2 individually constitute manufacturing operations, the
3 manufacturing process commences with the first operation
4 or stage of production in the series and does not end until
5 the completion of the final product in the last operation
6 or stage of production in the series. For purposes of this
7 exemption, photoprocessing is a manufacturing process of
8 tangible personal property for wholesale or retail sale.

9 (2) "Assembling process" means the production of an
10 article of tangible personal property, whether the article
11 is a finished product or an article for use in the process
12 of manufacturing or assembling a different article of
13 tangible personal property, by the combination of existing
14 materials in a manner commonly regarded as assembling that
15 results in an article or material of a different form, use,
16 or name.

17 (3) "Machinery" means major mechanical machines or
18 major components of those machines contributing to a
19 manufacturing or assembling process.

20 (4) "Equipment" includes an independent device or tool
21 separate from machinery but essential to an integrated
22 manufacturing or assembly process; including computers
23 used primarily in a manufacturer's computer assisted
24 design, computer assisted manufacturing (CAD/CAM) system;
25 any subunit or assembly comprising a component of any
26 machinery or auxiliary, adjunct, or attachment parts of

1 machinery, such as tools, dies, jigs, fixtures, patterns,
2 and molds; and any parts that require periodic replacement
3 in the course of normal operation; but does not include
4 hand tools. Equipment includes chemicals or chemicals
5 acting as catalysts but only if the chemicals or chemicals
6 acting as catalysts effect a direct and immediate change
7 upon a product being manufactured or assembled for
8 wholesale or retail sale or lease.

9 (5) "Production related tangible personal property"
10 means all tangible personal property that is used or
11 consumed by the purchaser in a manufacturing facility in
12 which a manufacturing process takes place and includes,
13 without limitation, tangible personal property that is
14 purchased for incorporation into real estate within a
15 manufacturing facility and tangible personal property that
16 is used or consumed in activities such as research and
17 development, preproduction material handling, receiving,
18 quality control, inventory control, storage, staging, and
19 packaging for shipping and transportation purposes.
20 "Production related tangible personal property" does not
21 include (i) tangible personal property that is used, within
22 or without a manufacturing facility, in sales, purchasing,
23 accounting, fiscal management, marketing, personnel
24 recruitment or selection, or landscaping or (ii) tangible
25 personal property that is required to be titled or
26 registered with a department, agency, or unit of federal,

1 State, or local government.

2 The manufacturing and assembling machinery and equipment
3 exemption includes production related tangible personal
4 property that is purchased on or after July 1, 2007 and on or
5 before June 30, 2008. The exemption for production related
6 tangible personal property is subject to both of the following
7 limitations:

8 (1) The maximum amount of the exemption for any one
9 taxpayer may not exceed 5% of the purchase price of
10 production related tangible personal property that is
11 purchased on or after July 1, 2007 and on or before June
12 30, 2008. A credit under Section 3-85 of this Act may not
13 be earned by the purchase of production related tangible
14 personal property for which an exemption is received under
15 this Section.

16 (2) The maximum aggregate amount of the exemptions for
17 production related tangible personal property awarded
18 under this Act and the Retailers' Occupation Tax Act to all
19 taxpayers may not exceed \$10,000,000. If the claims for the
20 exemption exceed \$10,000,000, then the Department shall
21 reduce the amount of the exemption to each taxpayer on a
22 pro rata basis.

23 The Department may adopt rules to implement and administer the
24 exemption for production related tangible personal property.

25 The manufacturing and assembling machinery and equipment
26 exemption includes the sale of materials to a purchaser who

1 produces exempted types of machinery, equipment, or tools and
2 who rents or leases that machinery, equipment, or tools to a
3 manufacturer of tangible personal property. This exemption
4 also includes the sale of materials to a purchaser who
5 manufactures those materials into an exempted type of
6 machinery, equipment, or tools that the purchaser uses himself
7 or herself in the manufacturing of tangible personal property.
8 This exemption includes the sale of exempted types of machinery
9 or equipment to a purchaser who is not the manufacturer, but
10 who rents or leases the use of the property to a manufacturer.
11 The purchaser of the machinery and equipment who has an active
12 resale registration number shall furnish that number to the
13 seller at the time of purchase. A user of the machinery,
14 equipment, or tools without an active resale registration
15 number shall prepare a certificate of exemption for each
16 transaction stating facts establishing the exemption for that
17 transaction, and that certificate shall be available to the
18 Department for inspection or audit. The Department shall
19 prescribe the form of the certificate. Informal rulings,
20 opinions, or letters issued by the Department in response to an
21 inquiry or request for an opinion from any person regarding the
22 coverage and applicability of this exemption to specific
23 devices shall be published, maintained as a public record, and
24 made available for public inspection and copying. If the
25 informal ruling, opinion, or letter contains trade secrets or
26 other confidential information, where possible, the Department

1 shall delete that information before publication. Whenever
2 informal rulings, opinions, or letters contain a policy of
3 general applicability, the Department shall formulate and
4 adopt that policy as a rule in accordance with the Illinois
5 Administrative Procedure Act.

6 The manufacturing and assembling machinery and equipment
7 exemption applies only until December 31, 2016.

8 (Source: P.A. 98-583, eff. 1-1-14.)

9 Section 30-10. The Service Use Tax Act is amended by
10 changing Section 2 as follows:

11 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

12 Sec. 2. Definitions.

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

1 destinations outside the State of Illinois.

2 "Purchased from a serviceman" means the acquisition of the
3 ownership of, or title to, tangible personal property through a
4 sale of service.

5 "Purchaser" means any person who, through a sale of
6 service, acquires the ownership of, or title to, any tangible
7 personal property.

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

20 "Selling price" means the consideration for a sale valued
21 in money whether received in money or otherwise, including
22 cash, credits and service, and shall be determined without any
23 deduction on account of the serviceman's cost of the property
24 sold, the cost of materials used, labor or service cost or any
25 other expense whatsoever, but does not include interest or
26 finance charges which appear as separate items on the bill of

1 sale or sales contract nor charges that are added to prices by
2 sellers on account of the seller's duty to collect, from the
3 purchaser, the tax that is imposed by this Act.

4 "Department" means the Department of Revenue.

5 "Person" means any natural individual, firm, partnership,
6 association, joint stock company, joint venture, public or
7 private corporation, limited liability company, and any
8 receiver, executor, trustee, guardian or other representative
9 appointed by order of any court.

10 "Sale of service" means any transaction except:

11 (1) a retail sale of tangible personal property taxable
12 under the Retailers' Occupation Tax Act or under the Use
13 Tax Act.

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

17 (3) except as hereinafter provided, a sale or transfer
18 of tangible personal property as an incident to the
19 rendering of service for or by any governmental body, or
20 for or by any corporation, society, association,
21 foundation or institution organized and operated
22 exclusively for charitable, religious or educational
23 purposes or any not-for-profit corporation, society,
24 association, foundation, institution or organization which
25 has no compensated officers or employees and which is
26 organized and operated primarily for the recreation of

1 persons 55 years of age or older. A limited liability
2 company may qualify for the exemption under this paragraph
3 only if the limited liability company is organized and
4 operated exclusively for educational purposes.

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

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

1 (4a-5) on and after July 1, 2003 and through June 30,
2 2004, a sale or transfer of a motor vehicle of the second
3 division with a gross vehicle weight in excess of 8,000
4 pounds as an incident to the rendering of service if that
5 motor vehicle is subject to the commercial distribution fee
6 imposed under Section 3-815.1 of the Illinois Vehicle Code.
7 Beginning on July 1, 2004 and through June 30, 2005, the
8 use in this State of motor vehicles of the second division:
9 (i) with a gross vehicle weight rating in excess of 8,000
10 pounds; (ii) that are subject to the commercial
11 distribution fee imposed under Section 3-815.1 of the
12 Illinois Vehicle Code; and (iii) that are primarily used
13 for commercial purposes. Through June 30, 2005, this
14 exemption applies to repair and replacement parts added
15 after the initial purchase of such a motor vehicle if that
16 motor vehicle is used in a manner that would qualify for
17 the rolling stock exemption otherwise provided for in this
18 Act. For purposes of this paragraph, "used for commercial
19 purposes" means the transportation of persons or property
20 in furtherance of any commercial or industrial enterprise
21 whether for-hire or not.

22 (5) until July 1, 2016, a sale or transfer of machinery
23 and equipment used primarily in the process of the
24 manufacturing or assembling, either in an existing, an
25 expanded or a new manufacturing facility, of tangible
26 personal property for wholesale or retail sale or lease,

1 whether such sale or lease is made directly by the
2 manufacturer or by some other person, whether the materials
3 used in the process are owned by the manufacturer or some
4 other person, or whether such sale or lease is made apart
5 from or as an incident to the seller's engaging in a
6 service occupation and the applicable tax is a Service Use
7 Tax or Service Occupation Tax, rather than Use Tax or
8 Retailers' Occupation Tax. The exemption provided by this
9 paragraph (5) does not include machinery and equipment used
10 in (i) the generation of electricity for wholesale or
11 retail sale; (ii) the generation or treatment of natural or
12 artificial gas for wholesale or retail sale that is
13 delivered to customers through pipes, pipelines, or mains;
14 or (iii) the treatment of water for wholesale or retail
15 sale that is delivered to customers through pipes,
16 pipelines, or mains. The provisions of this amendatory Act
17 of the 98th General Assembly are declaratory of existing
18 law as to the meaning and scope of this exemption.

19 (5a) the repairing, reconditioning or remodeling, for
20 a common carrier by rail, of tangible personal property
21 which belongs to such carrier for hire, and as to which
22 such carrier receives the physical possession of the
23 repaired, reconditioned or remodeled item of tangible
24 personal property in Illinois, and which such carrier
25 transports, or shares with another common carrier in the
26 transportation of such property, out of Illinois on a

1 standard uniform bill of lading showing the person who
2 repaired, reconditioned or remodeled the property to a
3 destination outside Illinois, for use outside Illinois.

4 (5b) a sale or transfer of tangible personal property
5 which is produced by the seller thereof on special order in
6 such a way as to have made the applicable tax the Service
7 Occupation Tax or the Service Use Tax, rather than the
8 Retailers' Occupation Tax or the Use Tax, for an interstate
9 carrier by rail which receives the physical possession of
10 such property in Illinois, and which transports such
11 property, or shares with another common carrier in the
12 transportation of such property, out of Illinois on a
13 standard uniform bill of lading showing the seller of the
14 property as the shipper or consignor of such property to a
15 destination outside Illinois, for use outside Illinois.

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

24 (7) at the election of any serviceman not required to
25 be otherwise registered as a retailer under Section 2a of
26 the Retailers' Occupation Tax Act, made for each fiscal

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

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

22 Exemption (5) also includes machinery and equipment used in
23 the general maintenance or repair of such exempt machinery and
24 equipment or for in-house manufacture of exempt machinery and
25 equipment. The machinery and equipment exemption does not
26 include machinery and equipment used in (i) the generation of

1 electricity for wholesale or retail sale; (ii) the generation
2 or treatment of natural or artificial gas for wholesale or
3 retail sale that is delivered to customers through pipes,
4 pipelines, or mains; or (iii) the treatment of water for
5 wholesale or retail sale that is delivered to customers through
6 pipes, pipelines, or mains. The provisions of this amendatory
7 Act of the 98th General Assembly are declaratory of existing
8 law as to the meaning and scope of this exemption. For the
9 purposes of exemption (5), each of these terms shall have the
10 following meanings: (1) "manufacturing process" shall mean the
11 production of any article of tangible personal property,
12 whether such article is a finished product or an article for
13 use in the process of manufacturing or assembling a different
14 article of tangible personal property, by procedures commonly
15 regarded as manufacturing, processing, fabricating, or
16 refining which changes some existing material or materials into
17 a material with a different form, use or name. In relation to a
18 recognized integrated business composed of a series of
19 operations which collectively constitute manufacturing, or
20 individually constitute manufacturing operations, the
21 manufacturing process shall be deemed to commence with the
22 first operation or stage of production in the series, and shall
23 not be deemed to end until the completion of the final product
24 in the last operation or stage of production in the series; and
25 further, for purposes of exemption (5), photoprocessing is
26 deemed to be a manufacturing process of tangible personal

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

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

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

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

25 The purchase, employment and transfer of such tangible
26 personal property as newsprint and ink for the primary purpose

1 of conveying news (with or without other information) is not a
2 purchase, use or sale of service or of tangible personal
3 property within the meaning of this Act.

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

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

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

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

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

22 1.1. having a contract with a person located in this
23 State under which the person, for a commission or other
24 consideration based on the sale of service by the
25 serviceman, directly or indirectly refers potential
26 customers to the serviceman by providing to the potential

1 customers a promotional code or other mechanism that allows
2 the serviceman to track purchases referred by such persons.
3 Examples of mechanisms that allow the serviceman to track
4 purchases referred by such persons include but are not
5 limited to the use of a link on the person's Internet
6 website, promotional codes distributed through the
7 person's hand-delivered or mailed material, and
8 promotional codes distributed by the person through radio
9 or other broadcast media. The provisions of this paragraph
10 1.1 shall apply only if the cumulative gross receipts from
11 sales of service by the serviceman to customers who are
12 referred to the serviceman by all persons in this State
13 under such contracts exceed \$10,000 during the preceding 4
14 quarterly periods ending on the last day of March, June,
15 September, and December; a serviceman meeting the
16 requirements of this paragraph 1.1 shall be presumed to be
17 maintaining a place of business in this State but may rebut
18 this presumption by submitting proof that the referrals or
19 other activities pursued within this State by such persons
20 were not sufficient to meet the nexus standards of the
21 United States Constitution during the preceding 4
22 quarterly periods;

23 1.2. beginning July 1, 2011, having a contract with a
24 person located in this State under which:

25 A. the serviceman sells the same or substantially
26 similar line of services as the person located in this

1 State and does so using an identical or substantially
2 similar name, trade name, or trademark as the person
3 located in this State; and

4 B. the serviceman provides a commission or other
5 consideration to the person located in this State based
6 upon the sale of services by the serviceman.

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

13 2. soliciting orders for tangible personal property by
14 means of a telecommunication or television shopping system
15 (which utilizes toll free numbers) which is intended by the
16 retailer to be broadcast by cable television or other means
17 of broadcasting, to consumers located in this State;

18 3. pursuant to a contract with a broadcaster or
19 publisher located in this State, soliciting orders for
20 tangible personal property by means of advertising which is
21 disseminated primarily to consumers located in this State
22 and only secondarily to bordering jurisdictions;

23 4. soliciting orders for tangible personal property by
24 mail if the solicitations are substantial and recurring and
25 if the retailer benefits from any banking, financing, debt
26 collection, telecommunication, or marketing activities

1 occurring in this State or benefits from the location in
2 this State of authorized installation, servicing, or
3 repair facilities;

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

7 6. having a franchisee or licensee operating under its
8 trade name if the franchisee or licensee is required to
9 collect the tax under this Section;

10 7. pursuant to a contract with a cable television
11 operator located in this State, soliciting orders for
12 tangible personal property by means of advertising which is
13 transmitted or distributed over a cable television system
14 in this State; or

15 8. engaging in activities in Illinois, which
16 activities in the state in which the supply business
17 engaging in such activities is located would constitute
18 maintaining a place of business in that state.

19 (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

20 Section 30-15. The Service Occupation Tax Act is amended by
21 changing Section 2 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, 2017, 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. The exemption provided by
18 this paragraph (e) does not include machinery and equipment
19 used in (i) the generation of electricity for wholesale or
20 retail sale; (ii) the generation or treatment of natural or
21 artificial gas for wholesale or retail sale that is delivered
22 to customers through pipes, pipelines, or mains; or (iii) the
23 treatment of water for wholesale or retail sale that is
24 delivered to customers through pipes, pipelines, or mains. The
25 provisions of this amendatory Act of the 98th General Assembly
26 are declaratory of existing law as to the meaning and scope of

1 this exemption.

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

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

1 certifies that fact in writing to the primary serviceman.

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

5 Exemption (e) also includes machinery and equipment used in
6 the general maintenance or repair of such exempt machinery and
7 equipment or for in-house manufacture of exempt machinery and
8 equipment. The machinery and equipment exemption does not
9 include machinery and equipment used in (i) the generation of
10 electricity for wholesale or retail sale; (ii) the generation
11 or treatment of natural or artificial gas for wholesale or
12 retail sale that is delivered to customers through pipes,
13 pipelines, or mains; or (iii) the treatment of water for
14 wholesale or retail sale that is delivered to customers through
15 pipes, pipelines, or mains. The provisions of this amendatory
16 Act of the 98th General Assembly are declaratory of existing
17 law as to the meaning and scope of this exemption. For the
18 purposes of exemption (e), each of these terms shall have the
19 following meanings: (1) "manufacturing process" shall mean the
20 production of any article of tangible personal property,
21 whether such article is a finished product or an article for
22 use in the process of manufacturing or assembling a different
23 article of tangible personal property, by procedures commonly
24 regarded as manufacturing, processing, fabricating, or
25 refining which changes some existing material or materials into
26 a material with a different form, use or name. In relation to a

1 recognized integrated business composed of a series of
2 operations which collectively constitute manufacturing, or
3 individually constitute manufacturing operations, the
4 manufacturing process shall be deemed to commence with the
5 first operation or stage of production in the series, and shall
6 not be deemed to end until the completion of the final product
7 in the last operation or stage of production in the series; and
8 further for purposes of exemption (e), photoprocessing is
9 deemed to be a manufacturing process of tangible personal
10 property for wholesale or retail sale; (2) "assembling process"
11 shall mean the production of any article of tangible personal
12 property, whether such article is a finished product or an
13 article for use in the process of manufacturing or assembling a
14 different article of tangible personal property, by the
15 combination of existing materials in a manner commonly regarded
16 as assembling which results in a material of a different form,
17 use or name; (3) "machinery" shall mean major mechanical
18 machines or major components of such machines contributing to a
19 manufacturing or assembling process; and (4) "equipment" shall
20 include any independent device or tool separate from any
21 machinery but essential to an integrated manufacturing or
22 assembly process; including computers used primarily in a
23 manufacturer's computer assisted design, computer assisted
24 manufacturing (CAD/CAM) system; or any subunit or assembly
25 comprising a component of any machinery or auxiliary, adjunct
26 or attachment parts of machinery, such as tools, dies, jigs,

1 fixtures, patterns and molds; or any parts which require
2 periodic replacement in the course of normal operation; but
3 shall not include hand tools. Equipment includes chemicals or
4 chemicals acting as catalysts but only if the chemicals or
5 chemicals acting as catalysts effect a direct and immediate
6 change upon a product being manufactured or assembled for
7 wholesale or retail sale or lease. The purchaser of such
8 machinery and equipment who has an active resale registration
9 number shall furnish such number to the seller at the time of
10 purchase. The purchaser of such machinery and equipment and
11 tools without an active resale registration number shall
12 furnish to the seller a certificate of exemption for each
13 transaction stating facts establishing the exemption for that
14 transaction, which certificate shall be available to the
15 Department for inspection or audit.

16 Except as provided in Section 2d of this Act, the rolling
17 stock exemption applies to rolling stock used by an interstate
18 carrier for hire, even just between points in Illinois, if such
19 rolling stock transports, for hire, persons whose journeys or
20 property whose shipments originate or terminate outside
21 Illinois.

22 Any informal rulings, opinions or letters issued by the
23 Department in response to an inquiry or request for any opinion
24 from any person regarding the coverage and applicability of
25 exemption (e) to specific devices shall be published,
26 maintained as a public record, and made available for public

1 inspection and copying. If the informal ruling, opinion or
2 letter contains trade secrets or other confidential
3 information, where possible the Department shall delete such
4 information prior to publication. Whenever such informal
5 rulings, opinions, or letters contain any policy of general
6 applicability, the Department shall formulate and adopt such
7 policy as a rule in accordance with the provisions of the
8 Illinois Administrative Procedure Act.

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

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

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

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

20 (Source: P.A. 98-583, eff. 1-1-14.)

21 Section 30-20. The Retailers' Occupation Tax Act is amended
22 by changing Sections 2-5 and 2-45 as follows:

23 (35 ILCS 120/2-5)

24 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 August 30, 2014, graphic arts machinery and
21 equipment, including repair and replacement parts, both new and
22 used, and including that manufactured on special order or
23 purchased for lease, certified by the purchaser to be used
24 primarily for graphic arts production. Equipment includes
25 chemicals or chemicals acting as catalysts but only if the
26 chemicals or chemicals acting as catalysts effect a direct and

1 immediate change upon a graphic arts product.

2 (5) A motor vehicle that is used for automobile renting, as
3 defined in the Automobile Renting Occupation and Use Tax Act.
4 This paragraph is exempt from the provisions of Section 2-70.

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

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

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

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

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

24 (12) Tangible personal property sold to interstate
25 carriers for hire for use as rolling stock moving in interstate
26 commerce or to lessors under leases of one year or longer

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

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

25 (13) Proceeds from sales to owners, lessors, or shippers of
26 tangible personal property that is utilized by interstate

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

6 (14) Until January 1, 2017, machinery ~~Machinery~~ and
7 equipment that will be used by the purchaser, or a lessee of
8 the purchaser, primarily in the process of manufacturing or
9 assembling tangible personal property for wholesale or retail
10 sale or lease, whether the sale or lease is made directly by
11 the manufacturer or by some other person, whether the materials
12 used in the process are owned by the manufacturer or some other
13 person, or whether the sale or lease is made apart from or as
14 an incident to the seller's engaging in the service occupation
15 of producing machines, tools, dies, jigs, patterns, gauges, or
16 other similar items of no commercial value on special order for
17 a particular purchaser. The exemption provided by this
18 paragraph (14) does not include machinery and equipment used in
19 (i) the generation of electricity for wholesale or retail sale;
20 (ii) the generation or treatment of natural or artificial gas
21 for wholesale or retail sale that is delivered to customers
22 through pipes, pipelines, or mains; or (iii) the treatment of
23 water for wholesale or retail sale that is delivered to
24 customers through pipes, pipelines, or mains. The provisions of
25 Public Act 98-583 are declaratory of existing law as to the
26 meaning and scope of this exemption.

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

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

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

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

23 (19) Until July 1 2003, oil field exploration, drilling,
24 and production equipment, including (i) rigs and parts of rigs,
25 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
26 tubular goods, including casing and drill strings, (iii) pumps

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

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

11 (21) Coal and aggregate exploration, mining, off-highway
12 hauling, processing, maintenance, and reclamation equipment,
13 including replacement parts and equipment, and including
14 equipment purchased for lease, but excluding motor vehicles
15 required to be registered under the Illinois Vehicle Code. The
16 changes made to this Section by Public Act 97-767 apply on and
17 after July 1, 2003, but no claim for credit or refund is
18 allowed on or after August 16, 2013 (the effective date of
19 Public Act 98-456) for such taxes paid during the period
20 beginning July 1, 2003 and ending on August 16, 2013 (the
21 effective date of Public Act 98-456).

22 (22) Until June 30, 2013, fuel and petroleum products sold
23 to or used by an air carrier, certified by the carrier to be
24 used for consumption, shipment, or storage in the conduct of
25 its business as an air common carrier, for a flight destined
26 for or returning from a location or locations outside the

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

3 Beginning July 1, 2013, fuel and petroleum products sold to
4 or used by an air carrier, certified by the carrier to be used
5 for consumption, shipment, or storage in the conduct of its
6 business as an air common carrier, for a flight that (i) is
7 engaged in foreign trade or is engaged in trade between the
8 United States and any of its possessions and (ii) transports at
9 least one individual or package for hire from the city of
10 origination to the city of final destination on the same
11 aircraft, without regard to a change in the flight number of
12 that aircraft.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (33) 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 (34) 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 2-70.

25 (35) 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 2-70.

9 (35-5) 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 a licensed facility as defined in
20 the ID/DD Community Care Act, the MC/DD Act, or the Specialized
21 Mental Health Rehabilitation Act of 2013.

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

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

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

12 (38) Beginning on January 1, 2002 and through June 30,
13 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 (38). The permit issued under this paragraph (38)
2 shall authorize the holder, to the extent and in the manner
3 specified in the rules adopted under this Act, to purchase
4 tangible personal property from a retailer exempt from the
5 taxes imposed by this Act. Taxpayers shall maintain all
6 necessary books and records to substantiate the use and
7 consumption of all such tangible personal property outside of
8 the State of Illinois.

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

16 (40) Beginning January 1, 2010, materials, parts,
17 equipment, components, and furnishings incorporated into or
18 upon an aircraft as part of the modification, refurbishment,
19 completion, replacement, repair, or maintenance of the
20 aircraft. This exemption includes consumable supplies used in
21 the modification, refurbishment, completion, replacement,
22 repair, and maintenance of aircraft, but excludes any
23 materials, parts, equipment, components, and consumable
24 supplies used in the modification, replacement, repair, and
25 maintenance of aircraft engines or power plants, whether such
26 engines or power plants are installed or uninstalled upon any

1 such aircraft. "Consumable supplies" include, but are not
2 limited to, adhesive, tape, sandpaper, general purpose
3 lubricants, cleaning solution, latex gloves, and protective
4 films. This exemption applies only to the sale of qualifying
5 tangible personal property to persons who modify, refurbish,
6 complete, replace, or maintain an aircraft and who (i) hold an
7 Air Agency Certificate and are empowered to operate an approved
8 repair station by the Federal Aviation Administration, (ii)
9 have a Class IV Rating, and (iii) conduct operations in
10 accordance with Part 145 of the Federal Aviation Regulations.
11 The exemption does not include aircraft operated by a
12 commercial air carrier providing scheduled passenger air
13 service pursuant to authority issued under Part 121 or Part 129
14 of the Federal Aviation Regulations. The changes made to this
15 paragraph (40) by Public Act 98-534 are declarative of existing
16 law.

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

1 the development of the municipal convention hall. This
2 exemption includes existing public-facilities corporations as
3 provided in Section 11-65-25 of the Illinois Municipal Code.
4 This paragraph is exempt from the provisions of Section 2-70.

5 (42) Beginning January 1, 2017, menstrual pads, tampons,
6 and menstrual cups.

7 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
8 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
9 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
10 7-29-15; 99-855, eff. 8-19-16.)

11 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

12 Sec. 2-45. Manufacturing and assembly exemption. The
13 manufacturing and assembly machinery and equipment exemption
14 includes machinery and equipment that replaces machinery and
15 equipment in an existing manufacturing facility as well as
16 machinery and equipment that are for use in an expanded or new
17 manufacturing facility.

18 The machinery and equipment exemption also includes
19 machinery and equipment used in the general maintenance or
20 repair of exempt machinery and equipment or for in-house
21 manufacture of exempt machinery and equipment. The machinery
22 and equipment exemption does not include machinery and
23 equipment used in (i) the generation of electricity for
24 wholesale or retail sale; (ii) the generation or treatment of
25 natural or artificial gas for wholesale or retail sale that is

1 delivered to customers through pipes, pipelines, or mains; or
2 (iii) the treatment of water for wholesale or retail sale that
3 is delivered to customers through pipes, pipelines, or mains.
4 The provisions of this amendatory Act of the 98th General
5 Assembly are declaratory of existing law as to the meaning and
6 scope of this exemption. For the purposes of this exemption,
7 terms have the following meanings:

8 (1) "Manufacturing process" means the production of an
9 article of tangible personal property, whether the article
10 is a finished product or an article for use in the process
11 of manufacturing or assembling a different article of
12 tangible personal property, by a procedure commonly
13 regarded as manufacturing, processing, fabricating, or
14 refining that changes some existing material or materials
15 into a material with a different form, use, or name. In
16 relation to a recognized integrated business composed of a
17 series of operations that collectively constitute
18 manufacturing, or individually constitute manufacturing
19 operations, the manufacturing process commences with the
20 first operation or stage of production in the series and
21 does not end until the completion of the final product in
22 the last operation or stage of production in the series.
23 For purposes of this exemption, photoprocessing is a
24 manufacturing process of tangible personal property for
25 wholesale or retail sale.

26 (2) "Assembling process" means the production of an

1 article of tangible personal property, whether the article
2 is a finished product or an article for use in the process
3 of manufacturing or assembling a different article of
4 tangible personal property, by the combination of existing
5 materials in a manner commonly regarded as assembling that
6 results in a material of a different form, use, or name.

7 (3) "Machinery" means major mechanical machines or
8 major components of those machines contributing to a
9 manufacturing or assembling process.

10 (4) "Equipment" includes an independent device or tool
11 separate from machinery but essential to an integrated
12 manufacturing or assembly process; including computers
13 used primarily in a manufacturer's computer assisted
14 design, computer assisted manufacturing (CAD/CAM) system;
15 any subunit or assembly comprising a component of any
16 machinery or auxiliary, adjunct, or attachment parts of
17 machinery, such as tools, dies, jigs, fixtures, patterns,
18 and molds; and any parts that require periodic replacement
19 in the course of normal operation; but does not include
20 hand tools. Equipment includes chemicals or chemicals
21 acting as catalysts but only if the chemicals or chemicals
22 acting as catalysts effect a direct and immediate change
23 upon a product being manufactured or assembled for
24 wholesale or retail sale or lease.

25 (5) "Production related tangible personal property"
26 means all tangible personal property that is used or

1 consumed by the purchaser in a manufacturing facility in
2 which a manufacturing process takes place and includes,
3 without limitation, tangible personal property that is
4 purchased for incorporation into real estate within a
5 manufacturing facility and tangible personal property that
6 is used or consumed in activities such as research and
7 development, preproduction material handling, receiving,
8 quality control, inventory control, storage, staging, and
9 packaging for shipping and transportation purposes.

10 "Production related tangible personal property" does not
11 include (i) tangible personal property that is used, within
12 or without a manufacturing facility, in sales, purchasing,
13 accounting, fiscal management, marketing, personnel
14 recruitment or selection, or landscaping or (ii) tangible
15 personal property that is required to be titled or
16 registered with a department, agency, or unit of federal,
17 State, or local government.

18 The manufacturing and assembling machinery and equipment
19 exemption includes production related tangible personal
20 property that is purchased on or after July 1, 2007 and on or
21 before June 30, 2008. The exemption for production related
22 tangible personal property is subject to both of the following
23 limitations:

24 (1) The maximum amount of the exemption for any one
25 taxpayer may not exceed 5% of the purchase price of
26 production related tangible personal property that is

1 purchased on or after July 1, 2007 and on or before June
2 30, 2008. A credit under Section 3-85 of this Act may not
3 be earned by the purchase of production related tangible
4 personal property for which an exemption is received under
5 this Section.

6 (2) The maximum aggregate amount of the exemptions for
7 production related tangible personal property awarded
8 under this Act and the Use Tax Act to all taxpayers may not
9 exceed \$10,000,000. If the claims for the exemption exceed
10 \$10,000,000, then the Department shall reduce the amount of
11 the exemption to each taxpayer on a pro rata basis.

12 The Department may adopt rules to implement and administer the
13 exemption for production related tangible personal property.

14 The manufacturing and assembling machinery and equipment
15 exemption includes the sale of materials to a purchaser who
16 produces exempted types of machinery, equipment, or tools and
17 who rents or leases that machinery, equipment, or tools to a
18 manufacturer of tangible personal property. This exemption
19 also includes the sale of materials to a purchaser who
20 manufactures those materials into an exempted type of
21 machinery, equipment, or tools that the purchaser uses himself
22 or herself in the manufacturing of tangible personal property.
23 The purchaser of the machinery and equipment who has an active
24 resale registration number shall furnish that number to the
25 seller at the time of purchase. A purchaser of the machinery,
26 equipment, and tools without an active resale registration

1 number shall furnish to the seller a certificate of exemption
2 for each transaction stating facts establishing the exemption
3 for that transaction, and that certificate shall be available
4 to the Department for inspection or audit. Informal rulings,
5 opinions, or letters issued by the Department in response to an
6 inquiry or request for an opinion from any person regarding the
7 coverage and applicability of this exemption to specific
8 devices shall be published, maintained as a public record, and
9 made available for public inspection and copying. If the
10 informal ruling, opinion, or letter contains trade secrets or
11 other confidential information, where possible, the Department
12 shall delete that information before publication. Whenever
13 informal rulings, opinions, or letters contain a policy of
14 general applicability, the Department shall formulate and
15 adopt that policy as a rule in accordance with the Illinois
16 Administrative Procedure Act.

17 The manufacturing and assembling machinery and equipment
18 exemption applies only until December 31, 2016.

19 (Source: P.A. 98-583, eff. 1-1-14.)

20 ARTICLE 35. VENDOR DISCOUNTS

21 Section 35-5. The Use Tax Act is amended by changing
22 Section 9 as follows:

23 (35 ILCS 105/9) (from Ch. 120, par. 439.9)

1 Sec. 9. Except as to motor vehicles, watercraft, aircraft,
2 and trailers that are required to be registered with an agency
3 of this State, each retailer required or authorized to collect
4 the tax imposed by this Act shall pay to the Department the
5 amount of such tax (except as otherwise provided) at the time
6 when he is required to file his return for the period during
7 which such tax was collected, less the vendor discount amount a
8 discount of 2.1% prior to January 1, 1990, and 1.75% on and
9 after January 1, 1990, or \$5 per calendar year, whichever is
10 greater, which is allowed to reimburse the retailer for
11 expenses incurred in collecting the tax, keeping records,
12 preparing and filing returns, remitting the tax and supplying
13 data to the Department on request. On and after January 1, 1990
14 and prior to January 1, 2017, the vendor discount amount shall
15 be 1.75% or \$5 per calendar year, whichever is greater. On and
16 after January 1, 2017, the vendor discount amount shall be the
17 sum of (i) 1.75% of the first \$1,000 collected during the
18 calendar year and (ii) 1% of the amount of proceeds collected
19 during the calendar year that exceeds \$1,000; however, on and
20 after January 1, 2017, in no event shall the discount allowed
21 to any vendor be less than \$5 in any calendar year or more than
22 \$1,500 in any calendar year. In the case of retailers who
23 report and pay the tax on a transaction by transaction basis,
24 as provided in this Section, such discount shall be taken with
25 each such tax remittance instead of when such retailer files
26 his periodic return. The Department may disallow the discount

1 for retailers whose certificate of registration is revoked at
2 the time the return is filed, but only if the Department's
3 decision to revoke the certificate of registration has become
4 final. A retailer need not remit that part of any tax collected
5 by him to the extent that he is required to remit and does
6 remit the tax imposed by the Retailers' Occupation Tax Act,
7 with respect to the sale of the same property.

8 Where such tangible personal property is sold under a
9 conditional sales contract, or under any other form of sale
10 wherein the payment of the principal sum, or a part thereof, is
11 extended beyond the close of the period for which the return is
12 filed, the retailer, in collecting the tax (except as to motor
13 vehicles, watercraft, aircraft, and trailers that are required
14 to be registered with an agency of this State), may collect for
15 each tax return period, only the tax applicable to that part of
16 the selling price actually received during such tax return
17 period.

18 Except as provided in this Section, on or before the
19 twentieth day of each calendar month, such retailer shall file
20 a return for the preceding calendar month. Such return shall be
21 filed on forms prescribed by the Department and shall furnish
22 such information as the Department may reasonably require.

23 The Department may require returns to be filed on a
24 quarterly basis. If so required, a return for each calendar
25 quarter shall be filed on or before the twentieth day of the
26 calendar month following the end of such calendar quarter. The

1 taxpayer shall also file a return with the Department for each
2 of the first two months of each calendar quarter, on or before
3 the twentieth day of the following calendar month, stating:

4 1. The name of the seller;

5 2. The address of the principal place of business from
6 which he engages in the business of selling tangible
7 personal property at retail in this State;

8 3. The total amount of taxable receipts received by him
9 during the preceding calendar month from sales of tangible
10 personal property by him during such preceding calendar
11 month, including receipts from charge and time sales, but
12 less all deductions allowed by law;

13 4. The amount of credit provided in Section 2d of this
14 Act;

15 5. The amount of tax due;

16 5-5. The signature of the taxpayer; and

17 6. Such other reasonable information as the Department
18 may require.

19 If a taxpayer fails to sign a return within 30 days after
20 the proper notice and demand for signature by the Department,
21 the return shall be considered valid and any amount shown to be
22 due on the return shall be deemed assessed.

23 Beginning October 1, 1993, a taxpayer who has an average
24 monthly tax liability of \$150,000 or more shall make all
25 payments required by rules of the Department by electronic
26 funds transfer. Beginning October 1, 1994, a taxpayer who has

1 an average monthly tax liability of \$100,000 or more shall make
2 all payments required by rules of the Department by electronic
3 funds transfer. Beginning October 1, 1995, a taxpayer who has
4 an average monthly tax liability of \$50,000 or more shall make
5 all payments required by rules of the Department by electronic
6 funds transfer. Beginning October 1, 2000, a taxpayer who has
7 an annual tax liability of \$200,000 or more shall make all
8 payments required by rules of the Department by electronic
9 funds transfer. The term "annual tax liability" shall be the
10 sum of the taxpayer's liabilities under this Act, and under all
11 other State and local occupation and use tax laws administered
12 by the Department, for the immediately preceding calendar year.
13 The term "average monthly tax liability" means the sum of the
14 taxpayer's liabilities under this Act, and under all other
15 State and local occupation and use tax laws administered by the
16 Department, for the immediately preceding calendar year
17 divided by 12. Beginning on October 1, 2002, a taxpayer who has
18 a tax liability in the amount set forth in subsection (b) of
19 Section 2505-210 of the Department of Revenue Law shall make
20 all payments required by rules of the Department by electronic
21 funds transfer.

22 Before August 1 of each year beginning in 1993, the
23 Department shall notify all taxpayers required to make payments
24 by electronic funds transfer. All taxpayers required to make
25 payments by electronic funds transfer shall make those payments
26 for a minimum of one year beginning on October 1.

1 Any taxpayer not required to make payments by electronic
2 funds transfer may make payments by electronic funds transfer
3 with the permission of the Department.

4 All taxpayers required to make payment by electronic funds
5 transfer and any taxpayers authorized to voluntarily make
6 payments by electronic funds transfer shall make those payments
7 in the manner authorized by the Department.

8 The Department shall adopt such rules as are necessary to
9 effectuate a program of electronic funds transfer and the
10 requirements of this Section.

11 Before October 1, 2000, if the taxpayer's average monthly
12 tax liability to the Department under this Act, the Retailers'
13 Occupation Tax Act, the Service Occupation Tax Act, the Service
14 Use Tax Act was \$10,000 or more during the preceding 4 complete
15 calendar quarters, he shall file a return with the Department
16 each month by the 20th day of the month next following the
17 month during which such tax liability is incurred and shall
18 make payments to the Department on or before the 7th, 15th,
19 22nd and last day of the month during which such liability is
20 incurred. On and after October 1, 2000, if the taxpayer's
21 average monthly tax liability to the Department under this Act,
22 the Retailers' Occupation Tax Act, the Service Occupation Tax
23 Act, and the Service Use Tax Act was \$20,000 or more during the
24 preceding 4 complete calendar quarters, he shall file a return
25 with the Department each month by the 20th day of the month
26 next following the month during which such tax liability is

1 incurred and shall make payment to the Department on or before
2 the 7th, 15th, 22nd and last day of the month during which such
3 liability is incurred. If the month during which such tax
4 liability is incurred began prior to January 1, 1985, each
5 payment shall be in an amount equal to 1/4 of the taxpayer's
6 actual liability for the month or an amount set by the
7 Department not to exceed 1/4 of the average monthly liability
8 of the taxpayer to the Department for the preceding 4 complete
9 calendar quarters (excluding the month of highest liability and
10 the month of lowest liability in such 4 quarter period). If the
11 month during which such tax liability is incurred begins on or
12 after January 1, 1985, and prior to January 1, 1987, each
13 payment shall be in an amount equal to 22.5% of the taxpayer's
14 actual liability for the month or 27.5% of the taxpayer's
15 liability for the same calendar month of the preceding year. If
16 the month during which such tax liability is incurred begins on
17 or after January 1, 1987, and prior to January 1, 1988, each
18 payment shall be in an amount equal to 22.5% of the taxpayer's
19 actual liability for the month or 26.25% of the taxpayer's
20 liability for the same calendar month of the preceding year. If
21 the month during which such tax liability is incurred begins on
22 or after January 1, 1988, and prior to January 1, 1989, or
23 begins on or after January 1, 1996, each payment shall be in an
24 amount equal to 22.5% of the taxpayer's actual liability for
25 the month or 25% of the taxpayer's liability for the same
26 calendar month of the preceding year. If the month during which

1 such tax liability is incurred begins on or after January 1,
2 1989, and prior to January 1, 1996, each payment shall be in an
3 amount equal to 22.5% of the taxpayer's actual liability for
4 the month or 25% of the taxpayer's liability for the same
5 calendar month of the preceding year or 100% of the taxpayer's
6 actual liability for the quarter monthly reporting period. The
7 amount of such quarter monthly payments shall be credited
8 against the final tax liability of the taxpayer's return for
9 that month. Before October 1, 2000, once applicable, the
10 requirement of the making of quarter monthly payments to the
11 Department shall continue until such taxpayer's average
12 monthly liability to the Department during the preceding 4
13 complete calendar quarters (excluding the month of highest
14 liability and the month of lowest liability) is less than
15 \$9,000, or until such taxpayer's average monthly liability to
16 the Department as computed for each calendar quarter of the 4
17 preceding complete calendar quarter period is less than
18 \$10,000. However, if a taxpayer can show the Department that a
19 substantial change in the taxpayer's business has occurred
20 which causes the taxpayer to anticipate that his average
21 monthly tax liability for the reasonably foreseeable future
22 will fall below the \$10,000 threshold stated above, then such
23 taxpayer may petition the Department for change in such
24 taxpayer's reporting status. On and after October 1, 2000, once
25 applicable, the requirement of the making of quarter monthly
26 payments to the Department shall continue until such taxpayer's

1 average monthly liability to the Department during the
2 preceding 4 complete calendar quarters (excluding the month of
3 highest liability and the month of lowest liability) is less
4 than \$19,000 or until such taxpayer's average monthly liability
5 to the Department as computed for each calendar quarter of the
6 4 preceding complete calendar quarter period is less than
7 \$20,000. However, if a taxpayer can show the Department that a
8 substantial change in the taxpayer's business has occurred
9 which causes the taxpayer to anticipate that his average
10 monthly tax liability for the reasonably foreseeable future
11 will fall below the \$20,000 threshold stated above, then such
12 taxpayer may petition the Department for a change in such
13 taxpayer's reporting status. The Department shall change such
14 taxpayer's reporting status unless it finds that such change is
15 seasonal in nature and not likely to be long term. If any such
16 quarter monthly payment is not paid at the time or in the
17 amount required by this Section, then the taxpayer shall be
18 liable for penalties and interest on the difference between the
19 minimum amount due and the amount of such quarter monthly
20 payment actually and timely paid, except insofar as the
21 taxpayer has previously made payments for that month to the
22 Department in excess of the minimum payments previously due as
23 provided in this Section. The Department shall make reasonable
24 rules and regulations to govern the quarter monthly payment
25 amount and quarter monthly payment dates for taxpayers who file
26 on other than a calendar monthly basis.

1 If any such payment provided for in this Section exceeds
2 the taxpayer's liabilities under this Act, the Retailers'
3 Occupation Tax Act, the Service Occupation Tax Act and the
4 Service Use Tax Act, as shown by an original monthly return,
5 the Department shall issue to the taxpayer a credit memorandum
6 no later than 30 days after the date of payment, which
7 memorandum may be submitted by the taxpayer to the Department
8 in payment of tax liability subsequently to be remitted by the
9 taxpayer to the Department or be assigned by the taxpayer to a
10 similar taxpayer under this Act, the Retailers' Occupation Tax
11 Act, the Service Occupation Tax Act or the Service Use Tax Act,
12 in accordance with reasonable rules and regulations to be
13 prescribed by the Department, except that if such excess
14 payment is shown on an original monthly return and is made
15 after December 31, 1986, no credit memorandum shall be issued,
16 unless requested by the taxpayer. If no such request is made,
17 the taxpayer may credit such excess payment against tax
18 liability subsequently to be remitted by the taxpayer to the
19 Department under this Act, the Retailers' Occupation Tax Act,
20 the Service Occupation Tax Act or the Service Use Tax Act, in
21 accordance with reasonable rules and regulations prescribed by
22 the Department. If the Department subsequently determines that
23 all or any part of the credit taken was not actually due to the
24 taxpayer, the taxpayer's ~~2.1% or 1.75%~~ vendor's discount shall
25 be reduced by ~~2.1% or 1.75%~~ of the difference between the
26 credit taken and that actually due multiplied by the vendor

1 discount amount, and the taxpayer shall be liable for penalties
2 and interest on such difference.

3 If the retailer is otherwise required to file a monthly
4 return and if the retailer's average monthly tax liability to
5 the Department does not exceed \$200, the Department may
6 authorize his returns to be filed on a quarter annual basis,
7 with the return for January, February, and March of a given
8 year being due by April 20 of such year; with the return for
9 April, May and June of a given year being due by July 20 of such
10 year; with the return for July, August and September of a given
11 year being due by October 20 of such year, and with the return
12 for October, November and December of a given year being due by
13 January 20 of the following year.

14 If the retailer is otherwise required to file a monthly or
15 quarterly return and if the retailer's average monthly tax
16 liability to the Department does not exceed \$50, the Department
17 may authorize his returns to be filed on an annual basis, with
18 the return for a given year being due by January 20 of the
19 following year.

20 Such quarter annual and annual returns, as to form and
21 substance, shall be subject to the same requirements as monthly
22 returns.

23 Notwithstanding any other provision in this Act concerning
24 the time within which a retailer may file his return, in the
25 case of any retailer who ceases to engage in a kind of business
26 which makes him responsible for filing returns under this Act,

1 such retailer shall file a final return under this Act with the
2 Department not more than one month after discontinuing such
3 business.

4 In addition, with respect to motor vehicles, watercraft,
5 aircraft, and trailers that are required to be registered with
6 an agency of this State, every retailer selling this kind of
7 tangible personal property shall file, with the Department,
8 upon a form to be prescribed and supplied by the Department, a
9 separate return for each such item of tangible personal
10 property which the retailer sells, except that if, in the same
11 transaction, (i) a retailer of aircraft, watercraft, motor
12 vehicles or trailers transfers more than one aircraft,
13 watercraft, motor vehicle or trailer to another aircraft,
14 watercraft, motor vehicle or trailer retailer for the purpose
15 of resale or (ii) a retailer of aircraft, watercraft, motor
16 vehicles, or trailers transfers more than one aircraft,
17 watercraft, motor vehicle, or trailer to a purchaser for use as
18 a qualifying rolling stock as provided in Section 3-55 of this
19 Act, then that seller may report the transfer of all the
20 aircraft, watercraft, motor vehicles or trailers involved in
21 that transaction to the Department on the same uniform
22 invoice-transaction reporting return form. For purposes of
23 this Section, "watercraft" means a Class 2, Class 3, or Class 4
24 watercraft as defined in Section 3-2 of the Boat Registration
25 and Safety Act, a personal watercraft, or any boat equipped
26 with an inboard motor.

1 The transaction reporting return in the case of motor
2 vehicles or trailers that are required to be registered with an
3 agency of this State, shall be the same document as the Uniform
4 Invoice referred to in Section 5-402 of the Illinois Vehicle
5 Code and must show the name and address of the seller; the name
6 and address of the purchaser; the amount of the selling price
7 including the amount allowed by the retailer for traded-in
8 property, if any; the amount allowed by the retailer for the
9 traded-in tangible personal property, if any, to the extent to
10 which Section 2 of this Act allows an exemption for the value
11 of traded-in property; the balance payable after deducting such
12 trade-in allowance from the total selling price; the amount of
13 tax due from the retailer with respect to such transaction; the
14 amount of tax collected from the purchaser by the retailer on
15 such transaction (or satisfactory evidence that such tax is not
16 due in that particular instance, if that is claimed to be the
17 fact); the place and date of the sale; a sufficient
18 identification of the property sold; such other information as
19 is required in Section 5-402 of the Illinois Vehicle Code, and
20 such other information as the Department may reasonably
21 require.

22 The transaction reporting return in the case of watercraft
23 and aircraft must show the name and address of the seller; the
24 name and address of the purchaser; the amount of the selling
25 price including the amount allowed by the retailer for
26 traded-in property, if any; the amount allowed by the retailer

1 for the traded-in tangible personal property, if any, to the
2 extent to which Section 2 of this Act allows an exemption for
3 the value of traded-in property; the balance payable after
4 deducting such trade-in allowance from the total selling price;
5 the amount of tax due from the retailer with respect to such
6 transaction; the amount of tax collected from the purchaser by
7 the retailer on such transaction (or satisfactory evidence that
8 such tax is not due in that particular instance, if that is
9 claimed to be the fact); the place and date of the sale, a
10 sufficient identification of the property sold, and such other
11 information as the Department may reasonably require.

12 Such transaction reporting return shall be filed not later
13 than 20 days after the date of delivery of the item that is
14 being sold, but may be filed by the retailer at any time sooner
15 than that if he chooses to do so. The transaction reporting
16 return and tax remittance or proof of exemption from the tax
17 that is imposed by this Act may be transmitted to the
18 Department by way of the State agency with which, or State
19 officer with whom, the tangible personal property must be
20 titled or registered (if titling or registration is required)
21 if the Department and such agency or State officer determine
22 that this procedure will expedite the processing of
23 applications for title or registration.

24 With each such transaction reporting return, the retailer
25 shall remit the proper amount of tax due (or shall submit
26 satisfactory evidence that the sale is not taxable if that is

1 the case), to the Department or its agents, whereupon the
2 Department shall issue, in the purchaser's name, a tax receipt
3 (or a certificate of exemption if the Department is satisfied
4 that the particular sale is tax exempt) which such purchaser
5 may submit to the agency with which, or State officer with
6 whom, he must title or register the tangible personal property
7 that is involved (if titling or registration is required) in
8 support of such purchaser's application for an Illinois
9 certificate or other evidence of title or registration to such
10 tangible personal property.

11 No retailer's failure or refusal to remit tax under this
12 Act precludes a user, who has paid the proper tax to the
13 retailer, from obtaining his certificate of title or other
14 evidence of title or registration (if titling or registration
15 is required) upon satisfying the Department that such user has
16 paid the proper tax (if tax is due) to the retailer. The
17 Department shall adopt appropriate rules to carry out the
18 mandate of this paragraph.

19 If the user who would otherwise pay tax to the retailer
20 wants the transaction reporting return filed and the payment of
21 tax or proof of exemption made to the Department before the
22 retailer is willing to take these actions and such user has not
23 paid the tax to the retailer, such user may certify to the fact
24 of such delay by the retailer, and may (upon the Department
25 being satisfied of the truth of such certification) transmit
26 the information required by the transaction reporting return

1 and the remittance for tax or proof of exemption directly to
2 the Department and obtain his tax receipt or exemption
3 determination, in which event the transaction reporting return
4 and tax remittance (if a tax payment was required) shall be
5 credited by the Department to the proper retailer's account
6 with the Department, but without the vendor's ~~2.1% or 1.75%~~
7 discount provided for in this Section being allowed. When the
8 user pays the tax directly to the Department, he shall pay the
9 tax in the same amount and in the same form in which it would be
10 remitted if the tax had been remitted to the Department by the
11 retailer.

12 Where a retailer collects the tax with respect to the
13 selling price of tangible personal property which he sells and
14 the purchaser thereafter returns such tangible personal
15 property and the retailer refunds the selling price thereof to
16 the purchaser, such retailer shall also refund, to the
17 purchaser, the tax so collected from the purchaser. When filing
18 his return for the period in which he refunds such tax to the
19 purchaser, the retailer may deduct the amount of the tax so
20 refunded by him to the purchaser from any other use tax which
21 such retailer may be required to pay or remit to the
22 Department, as shown by such return, if the amount of the tax
23 to be deducted was previously remitted to the Department by
24 such retailer. If the retailer has not previously remitted the
25 amount of such tax to the Department, he is entitled to no
26 deduction under this Act upon refunding such tax to the

1 purchaser.

2 Any retailer filing a return under this Section shall also
3 include (for the purpose of paying tax thereon) the total tax
4 covered by such return upon the selling price of tangible
5 personal property purchased by him at retail from a retailer,
6 but as to which the tax imposed by this Act was not collected
7 from the retailer filing such return, and such retailer shall
8 remit the amount of such tax to the Department when filing such
9 return.

10 If experience indicates such action to be practicable, the
11 Department may prescribe and furnish a combination or joint
12 return which will enable retailers, who are required to file
13 returns hereunder and also under the Retailers' Occupation Tax
14 Act, to furnish all the return information required by both
15 Acts on the one form.

16 Where the retailer has more than one business registered
17 with the Department under separate registration under this Act,
18 such retailer may not file each return that is due as a single
19 return covering all such registered businesses, but shall file
20 separate returns for each such registered business.

21 Beginning January 1, 1990, each month the Department shall
22 pay into the State and Local Sales Tax Reform Fund, a special
23 fund in the State Treasury which is hereby created, the net
24 revenue realized for the preceding month from the 1% tax on
25 sales of food for human consumption which is to be consumed off
26 the premises where it is sold (other than alcoholic beverages,

1 soft drinks and food which has been prepared for immediate
2 consumption) and prescription and nonprescription medicines,
3 drugs, medical appliances, products classified as Class III
4 medical devices by the United States Food and Drug
5 Administration that are used for cancer treatment pursuant to a
6 prescription, as well as any accessories and components related
7 to those devices, and insulin, urine testing materials,
8 syringes and needles used by diabetics.

9 Beginning January 1, 1990, each month the Department shall
10 pay into the County and Mass Transit District Fund 4% of the
11 net revenue realized for the preceding month from the 6.25%
12 general rate on the selling price of tangible personal property
13 which is purchased outside Illinois at retail from a retailer
14 and which is titled or registered by an agency of this State's
15 government.

16 Beginning January 1, 1990, each month the Department shall
17 pay into the State and Local Sales Tax Reform Fund, a special
18 fund in the State Treasury, 20% of the net revenue realized for
19 the preceding month from the 6.25% general rate on the selling
20 price of tangible personal property, other than tangible
21 personal property which is purchased outside Illinois at retail
22 from a retailer and which is titled or registered by an agency
23 of this State's government.

24 Beginning August 1, 2000, each month the Department shall
25 pay into the State and Local Sales Tax Reform Fund 100% of the
26 net revenue realized for the preceding month from the 1.25%

1 rate on the selling price of motor fuel and gasohol. Beginning
2 September 1, 2010, each month the Department shall pay into the
3 State and Local Sales Tax Reform Fund 100% of the net revenue
4 realized for the preceding month from the 1.25% rate on the
5 selling price of sales tax holiday items.

6 Beginning January 1, 1990, each month the Department shall
7 pay into the Local Government Tax Fund 16% of the net revenue
8 realized for the preceding month from the 6.25% general rate on
9 the selling price of tangible personal property which is
10 purchased outside Illinois at retail from a retailer and which
11 is titled or registered by an agency of this State's
12 government.

13 Beginning October 1, 2009, each month the Department shall
14 pay into the Capital Projects Fund an amount that is equal to
15 an amount estimated by the Department to represent 80% of the
16 net revenue realized for the preceding month from the sale of
17 candy, grooming and hygiene products, and soft drinks that had
18 been taxed at a rate of 1% prior to September 1, 2009 but that
19 are now taxed at 6.25%.

20 Beginning July 1, 2011, each month the Department shall pay
21 into the Clean Air Act (CAA) Permit Fund 80% of the net revenue
22 realized for the preceding month from the 6.25% general rate on
23 the selling price of sorbents used in Illinois in the process
24 of sorbent injection as used to comply with the Environmental
25 Protection Act or the federal Clean Air Act, but the total
26 payment into the Clean Air Act (CAA) Permit Fund under this Act

1 and the Retailers' Occupation Tax Act shall not exceed
2 \$2,000,000 in any fiscal year.

3 Beginning July 1, 2013, each month the Department shall pay
4 into the Underground Storage Tank Fund from the proceeds
5 collected under this Act, the Service Use Tax Act, the Service
6 Occupation Tax Act, and the Retailers' Occupation Tax Act an
7 amount equal to the average monthly deficit in the Underground
8 Storage Tank Fund during the prior year, as certified annually
9 by the Illinois Environmental Protection Agency, but the total
10 payment into the Underground Storage Tank Fund under this Act,
11 the Service Use Tax Act, the Service Occupation Tax Act, and
12 the Retailers' Occupation Tax Act shall not exceed \$18,000,000
13 in any State fiscal year. As used in this paragraph, the
14 "average monthly deficit" shall be equal to the difference
15 between the average monthly claims for payment by the fund and
16 the average monthly revenues deposited into the fund, excluding
17 payments made pursuant to this paragraph.

18 Beginning July 1, 2015, of the remainder of the moneys
19 received by the Department under this Act, the Service Use Tax
20 Act, the Service Occupation Tax Act, and the Retailers'
21 Occupation Tax Act, each month the Department shall deposit
22 \$500,000 into the State Crime Laboratory Fund.

23 Of the remainder of the moneys received by the Department
24 pursuant to this Act, (a) 1.75% thereof shall be paid into the
25 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
26 and after July 1, 1989, 3.8% thereof shall be paid into the

1 Build Illinois Fund; provided, however, that if in any fiscal
2 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
3 may be, of the moneys received by the Department and required
4 to be paid into the Build Illinois Fund pursuant to Section 3
5 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax
6 Act, Section 9 of the Service Use Tax Act, and Section 9 of the
7 Service Occupation Tax Act, such Acts being hereinafter called
8 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case
9 may be, of moneys being hereinafter called the "Tax Act
10 Amount", and (2) the amount transferred to the Build Illinois
11 Fund from the State and Local Sales Tax Reform Fund shall be
12 less than the Annual Specified Amount (as defined in Section 3
13 of the Retailers' Occupation Tax Act), an amount equal to the
14 difference shall be immediately paid into the Build Illinois
15 Fund from other moneys received by the Department pursuant to
16 the Tax Acts; and further provided, that if on the last
17 business day of any month the sum of (1) the Tax Act Amount
18 required to be deposited into the Build Illinois Bond Account
19 in the Build Illinois Fund during such month and (2) the amount
20 transferred during such month to the Build Illinois Fund from
21 the State and Local Sales Tax Reform Fund shall have been less
22 than 1/12 of the Annual Specified Amount, an amount equal to
23 the difference shall be immediately paid into the Build
24 Illinois Fund from other moneys received by the Department
25 pursuant to the Tax Acts; and, further provided, that in no
26 event shall the payments required under the preceding proviso

1 result in aggregate payments into the Build Illinois Fund
2 pursuant to this clause (b) for any fiscal year in excess of
3 the greater of (i) the Tax Act Amount or (ii) the Annual
4 Specified Amount for such fiscal year; and, further provided,
5 that the amounts payable into the Build Illinois Fund under
6 this clause (b) shall be payable only until such time as the
7 aggregate amount on deposit under each trust indenture securing
8 Bonds issued and outstanding pursuant to the Build Illinois
9 Bond Act is sufficient, taking into account any future
10 investment income, to fully provide, in accordance with such
11 indenture, for the defeasance of or the payment of the
12 principal of, premium, if any, and interest on the Bonds
13 secured by such indenture and on any Bonds expected to be
14 issued thereafter and all fees and costs payable with respect
15 thereto, all as certified by the Director of the Bureau of the
16 Budget (now Governor's Office of Management and Budget). If on
17 the last business day of any month in which Bonds are
18 outstanding pursuant to the Build Illinois Bond Act, the
19 aggregate of the moneys deposited in the Build Illinois Bond
20 Account in the Build Illinois Fund in such month shall be less
21 than the amount required to be transferred in such month from
22 the Build Illinois Bond Account to the Build Illinois Bond
23 Retirement and Interest Fund pursuant to Section 13 of the
24 Build Illinois Bond Act, an amount equal to such deficiency
25 shall be immediately paid from other moneys received by the
26 Department pursuant to the Tax Acts to the Build Illinois Fund;

1 provided, however, that any amounts paid to the Build Illinois
2 Fund in any fiscal year pursuant to this sentence shall be
3 deemed to constitute payments pursuant to clause (b) of the
4 preceding sentence and shall reduce the amount otherwise
5 payable for such fiscal year pursuant to clause (b) of the
6 preceding sentence. The moneys received by the Department
7 pursuant to this Act and required to be deposited into the
8 Build Illinois Fund are subject to the pledge, claim and charge
9 set forth in Section 12 of the Build Illinois Bond Act.

10 Subject to payment of amounts into the Build Illinois Fund
11 as provided in the preceding paragraph or in any amendment
12 thereto hereafter enacted, the following specified monthly
13 installment of the amount requested in the certificate of the
14 Chairman of the Metropolitan Pier and Exposition Authority
15 provided under Section 8.25f of the State Finance Act, but not
16 in excess of the sums designated as "Total Deposit", shall be
17 deposited in the aggregate from collections under Section 9 of
18 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
19 9 of the Service Occupation Tax Act, and Section 3 of the
20 Retailers' Occupation Tax Act into the McCormick Place
21 Expansion Project Fund in the specified fiscal years.

22	Fiscal Year	Total Deposit
23	1993	\$0
24	1994	53,000,000
25	1995	58,000,000
26	1996	61,000,000

1	1997	64,000,000
2	1998	68,000,000
3	1999	71,000,000
4	2000	75,000,000
5	2001	80,000,000
6	2002	93,000,000
7	2003	99,000,000
8	2004	103,000,000
9	2005	108,000,000
10	2006	113,000,000
11	2007	119,000,000
12	2008	126,000,000
13	2009	132,000,000
14	2010	139,000,000
15	2011	146,000,000
16	2012	153,000,000
17	2013	161,000,000
18	2014	170,000,000
19	2015	179,000,000
20	2016	189,000,000
21	2017	199,000,000
22	2018	210,000,000
23	2019	221,000,000
24	2020	233,000,000
25	2021	246,000,000
26	2022	260,000,000

1	2023	275,000,000
2	2024	275,000,000
3	2025	275,000,000
4	2026	279,000,000
5	2027	292,000,000
6	2028	307,000,000
7	2029	322,000,000
8	2030	338,000,000
9	2031	350,000,000
10	2032	350,000,000

11 and
12 each fiscal year
13 thereafter that bonds
14 are outstanding under
15 Section 13.2 of the
16 Metropolitan Pier and
17 Exposition Authority Act,
18 but not after fiscal year 2060.

19 Beginning July 20, 1993 and in each month of each fiscal
20 year thereafter, one-eighth of the amount requested in the
21 certificate of the Chairman of the Metropolitan Pier and
22 Exposition Authority for that fiscal year, less the amount
23 deposited into the McCormick Place Expansion Project Fund by
24 the State Treasurer in the respective month under subsection
25 (g) of Section 13 of the Metropolitan Pier and Exposition
26 Authority Act, plus cumulative deficiencies in the deposits

1 required under this Section for previous months and years,
2 shall be deposited into the McCormick Place Expansion Project
3 Fund, until the full amount requested for the fiscal year, but
4 not in excess of the amount specified above as "Total Deposit",
5 has been deposited.

6 Subject to payment of amounts into the Build Illinois Fund
7 and the McCormick Place Expansion Project Fund pursuant to the
8 preceding paragraphs or in any amendments thereto hereafter
9 enacted, beginning July 1, 1993 and ending on September 30,
10 2013, the Department shall each month pay into the Illinois Tax
11 Increment Fund 0.27% of 80% of the net revenue realized for the
12 preceding month from the 6.25% general rate on the selling
13 price of tangible personal property.

14 Subject to payment of amounts into the Build Illinois Fund
15 and the McCormick Place Expansion Project Fund pursuant to the
16 preceding paragraphs or in any amendments thereto hereafter
17 enacted, beginning with the receipt of the first report of
18 taxes paid by an eligible business and continuing for a 25-year
19 period, the Department shall each month pay into the Energy
20 Infrastructure Fund 80% of the net revenue realized from the
21 6.25% general rate on the selling price of Illinois-mined coal
22 that was sold to an eligible business. For purposes of this
23 paragraph, the term "eligible business" means a new electric
24 generating facility certified pursuant to Section 605-332 of
25 the Department of Commerce and Economic Opportunity Law of the
26 Civil Administrative Code of Illinois.

1 Subject to payment of amounts into the Build Illinois Fund,
2 the McCormick Place Expansion Project Fund, the Illinois Tax
3 Increment Fund, and the Energy Infrastructure Fund pursuant to
4 the preceding paragraphs or in any amendments to this Section
5 hereafter enacted, beginning on the first day of the first
6 calendar month to occur on or after the effective date of this
7 amendatory Act of the 98th General Assembly, each month, from
8 the collections made under Section 9 of the Use Tax Act,
9 Section 9 of the Service Use Tax Act, Section 9 of the Service
10 Occupation Tax Act, and Section 3 of the Retailers' Occupation
11 Tax Act, the Department shall pay into the Tax Compliance and
12 Administration Fund, to be used, subject to appropriation, to
13 fund additional auditors and compliance personnel at the
14 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
15 the cash receipts collected during the preceding fiscal year by
16 the Audit Bureau of the Department under the Use Tax Act, the
17 Service Use Tax Act, the Service Occupation Tax Act, the
18 Retailers' Occupation Tax Act, and associated local occupation
19 and use taxes administered by the Department.

20 Of the remainder of the moneys received by the Department
21 pursuant to this Act, 75% thereof shall be paid into the State
22 Treasury and 25% shall be reserved in a special account and
23 used only for the transfer to the Common School Fund as part of
24 the monthly transfer from the General Revenue Fund in
25 accordance with Section 8a of the State Finance Act.

26 As soon as possible after the first day of each month, upon

1 certification of the Department of Revenue, the Comptroller
2 shall order transferred and the Treasurer shall transfer from
3 the General Revenue Fund to the Motor Fuel Tax Fund an amount
4 equal to 1.7% of 80% of the net revenue realized under this Act
5 for the second preceding month. Beginning April 1, 2000, this
6 transfer is no longer required and shall not be made.

7 Net revenue realized for a month shall be the revenue
8 collected by the State pursuant to this Act, less the amount
9 paid out during that month as refunds to taxpayers for
10 overpayment of liability.

11 For greater simplicity of administration, manufacturers,
12 importers and wholesalers whose products are sold at retail in
13 Illinois by numerous retailers, and who wish to do so, may
14 assume the responsibility for accounting and paying to the
15 Department all tax accruing under this Act with respect to such
16 sales, if the retailers who are affected do not make written
17 objection to the Department to this arrangement.

18 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
19 98-496, eff. 1-1-14; 98-756, eff. 7-16-14; 98-1098, eff.
20 8-26-14; 99-352, eff. 8-12-15; 99-858, eff. 8-19-16.)

21 Section 35-10. The Service Use Tax Act is amended by
22 changing Section 9 as follows:

23 (35 ILCS 110/9) (from Ch. 120, par. 439.39)

24 Sec. 9. Each serviceman required or authorized to collect

1 the tax herein imposed shall pay to the Department the amount
2 of such tax (except as otherwise provided) at the time when he
3 is required to file his return for the period during which such
4 tax was collected, less the vendor discount amount ~~a discount~~
5 ~~of 2.1% prior to January 1, 1990 and 1.75% on and after January~~
6 ~~1, 1990, or \$5 per calendar year, whichever is greater, which~~
7 is allowed to reimburse the serviceman for expenses incurred in
8 collecting the tax, keeping records, preparing and filing
9 returns, remitting the tax and supplying data to the Department
10 on request. On and after January 1, 1990 and prior to January
11 1, 2017, the vendor discount amount shall be 1.75% or \$5 per
12 calendar year, whichever is greater. On and after January 1,
13 2017, the vendor discount amount shall be the sum of (i) 1.75%
14 of the first \$1,000 collected during the calendar year and (ii)
15 1% of the amount of proceeds collected during the calendar year
16 that exceeds \$1,000; however, on and after January 1, 2017, in
17 no event shall the discount allowed to any vendor be less than
18 \$5 in any calendar year or more than \$1,500 in any calendar
19 year. The Department may disallow the discount for servicemen
20 whose certificate of registration is revoked at the time the
21 return is filed, but only if the Department's decision to
22 revoke the certificate of registration has become final. A
23 serviceman need not remit that part of any tax collected by him
24 to the extent that he is required to pay and does pay the tax
25 imposed by the Service Occupation Tax Act with respect to his
26 sale of service involving the incidental transfer by him of the

1 same property.

2 Except as provided hereinafter in this Section, on or
3 before the twentieth day of each calendar month, such
4 serviceman shall file a return for the preceding calendar month
5 in accordance with reasonable Rules and Regulations to be
6 promulgated by the Department. Such return shall be filed on a
7 form prescribed by the Department and shall contain such
8 information as the Department may reasonably require.

9 The Department may require returns to be filed on a
10 quarterly basis. If so required, a return for each calendar
11 quarter shall be filed on or before the twentieth day of the
12 calendar month following the end of such calendar quarter. The
13 taxpayer shall also file a return with the Department for each
14 of the first two months of each calendar quarter, on or before
15 the twentieth day of the following calendar month, stating:

- 16 1. The name of the seller;
- 17 2. The address of the principal place of business from
18 which he engages in business as a serviceman in this State;
- 19 3. The total amount of taxable receipts received by him
20 during the preceding calendar month, including receipts
21 from charge and time sales, but less all deductions allowed
22 by law;
- 23 4. The amount of credit provided in Section 2d of this
24 Act;
- 25 5. The amount of tax due;
- 26 5-5. The signature of the taxpayer; and

1 6. Such other reasonable information as the Department
2 may require.

3 If a taxpayer fails to sign a return within 30 days after
4 the proper notice and demand for signature by the Department,
5 the return shall be considered valid and any amount shown to be
6 due on the return shall be deemed assessed.

7 Beginning October 1, 1993, a taxpayer who has an average
8 monthly tax liability of \$150,000 or more shall make all
9 payments required by rules of the Department by electronic
10 funds transfer. Beginning October 1, 1994, a taxpayer who has
11 an average monthly tax liability of \$100,000 or more shall make
12 all payments required by rules of the Department by electronic
13 funds transfer. Beginning October 1, 1995, a taxpayer who has
14 an average monthly tax liability of \$50,000 or more shall make
15 all payments required by rules of the Department by electronic
16 funds transfer. Beginning October 1, 2000, a taxpayer who has
17 an annual tax liability of \$200,000 or more shall make all
18 payments required by rules of the Department by electronic
19 funds transfer. The term "annual tax liability" shall be the
20 sum of the taxpayer's liabilities under this Act, and under all
21 other State and local occupation and use tax laws administered
22 by the Department, for the immediately preceding calendar year.
23 The term "average monthly tax liability" means the sum of the
24 taxpayer's liabilities under this Act, and under all other
25 State and local occupation and use tax laws administered by the
26 Department, for the immediately preceding calendar year

1 divided by 12. Beginning on October 1, 2002, a taxpayer who has
2 a tax liability in the amount set forth in subsection (b) of
3 Section 2505-210 of the Department of Revenue Law shall make
4 all payments required by rules of the Department by electronic
5 funds transfer.

6 Before August 1 of each year beginning in 1993, the
7 Department shall notify all taxpayers required to make payments
8 by electronic funds transfer. All taxpayers required to make
9 payments by electronic funds transfer shall make those payments
10 for a minimum of one year beginning on October 1.

11 Any taxpayer not required to make payments by electronic
12 funds transfer may make payments by electronic funds transfer
13 with the permission of the Department.

14 All taxpayers required to make payment by electronic funds
15 transfer and any taxpayers authorized to voluntarily make
16 payments by electronic funds transfer shall make those payments
17 in the manner authorized by the Department.

18 The Department shall adopt such rules as are necessary to
19 effectuate a program of electronic funds transfer and the
20 requirements of this Section.

21 If the serviceman is otherwise required to file a monthly
22 return and if the serviceman's average monthly tax liability to
23 the Department does not exceed \$200, the Department may
24 authorize his returns to be filed on a quarter annual basis,
25 with the return for January, February and March of a given year
26 being due by April 20 of such year; with the return for April,

1 May and June of a given year being due by July 20 of such year;
2 with the return for July, August and September of a given year
3 being due by October 20 of such year, and with the return for
4 October, November and December of a given year being due by
5 January 20 of the following year.

6 If the serviceman is otherwise required to file a monthly
7 or quarterly return and if the serviceman's average monthly tax
8 liability to the Department does not exceed \$50, the Department
9 may authorize his returns to be filed on an annual basis, with
10 the return for a given year being due by January 20 of the
11 following year.

12 Such quarter annual and annual returns, as to form and
13 substance, shall be subject to the same requirements as monthly
14 returns.

15 Notwithstanding any other provision in this Act concerning
16 the time within which a serviceman may file his return, in the
17 case of any serviceman who ceases to engage in a kind of
18 business which makes him responsible for filing returns under
19 this Act, such serviceman shall file a final return under this
20 Act with the Department not more than 1 month after
21 discontinuing such business.

22 Where a serviceman collects the tax with respect to the
23 selling price of property which he sells and the purchaser
24 thereafter returns such property and the serviceman refunds the
25 selling price thereof to the purchaser, such serviceman shall
26 also refund, to the purchaser, the tax so collected from the

1 purchaser. When filing his return for the period in which he
2 refunds such tax to the purchaser, the serviceman may deduct
3 the amount of the tax so refunded by him to the purchaser from
4 any other Service Use Tax, Service Occupation Tax, retailers'
5 occupation tax or use tax which such serviceman may be required
6 to pay or remit to the Department, as shown by such return,
7 provided that the amount of the tax to be deducted shall
8 previously have been remitted to the Department by such
9 serviceman. If the serviceman shall not previously have
10 remitted the amount of such tax to the Department, he shall be
11 entitled to no deduction hereunder upon refunding such tax to
12 the purchaser.

13 Any serviceman filing a return hereunder shall also include
14 the total tax upon the selling price of tangible personal
15 property purchased for use by him as an incident to a sale of
16 service, and such serviceman shall remit the amount of such tax
17 to the Department when filing such return.

18 If experience indicates such action to be practicable, the
19 Department may prescribe and furnish a combination or joint
20 return which will enable servicemen, who are required to file
21 returns hereunder and also under the Service Occupation Tax
22 Act, to furnish all the return information required by both
23 Acts on the one form.

24 Where the serviceman has more than one business registered
25 with the Department under separate registration hereunder,
26 such serviceman shall not file each return that is due as a

1 single return covering all such registered businesses, but
2 shall file separate returns for each such registered business.

3 Beginning January 1, 1990, each month the Department shall
4 pay into the State and Local Tax Reform Fund, a special fund in
5 the State Treasury, the net revenue realized for the preceding
6 month from the 1% tax on sales of food for human consumption
7 which is to be consumed off the premises where it is sold
8 (other than alcoholic beverages, soft drinks and food which has
9 been prepared for immediate consumption) and prescription and
10 nonprescription medicines, drugs, medical appliances, products
11 classified as Class III medical devices, by the United States
12 Food and Drug Administration that are used for cancer treatment
13 pursuant to a prescription, as well as any accessories and
14 components related to those devices, and insulin, urine testing
15 materials, syringes and needles used by diabetics.

16 Beginning January 1, 1990, each month the Department shall
17 pay into the State and Local Sales Tax Reform Fund 20% of the
18 net revenue realized for the preceding month from the 6.25%
19 general rate on transfers of tangible personal property, other
20 than tangible personal property which is purchased outside
21 Illinois at retail from a retailer and which is titled or
22 registered by an agency of this State's government.

23 Beginning August 1, 2000, each month the Department shall
24 pay into the State and Local Sales Tax Reform Fund 100% of the
25 net revenue realized for the preceding month from the 1.25%
26 rate on the selling price of motor fuel and gasohol.

1 Beginning October 1, 2009, each month the Department shall
2 pay into the Capital Projects Fund an amount that is equal to
3 an amount estimated by the Department to represent 80% of the
4 net revenue realized for the preceding month from the sale of
5 candy, grooming and hygiene products, and soft drinks that had
6 been taxed at a rate of 1% prior to September 1, 2009 but that
7 are now taxed at 6.25%.

8 Beginning July 1, 2013, each month the Department shall pay
9 into the Underground Storage Tank Fund from the proceeds
10 collected under this Act, the Use Tax Act, the Service
11 Occupation Tax Act, and the Retailers' Occupation Tax Act an
12 amount equal to the average monthly deficit in the Underground
13 Storage Tank Fund during the prior year, as certified annually
14 by the Illinois Environmental Protection Agency, but the total
15 payment into the Underground Storage Tank Fund under this Act,
16 the Use Tax Act, the Service Occupation Tax Act, and the
17 Retailers' Occupation Tax Act shall not exceed \$18,000,000 in
18 any State fiscal year. As used in this paragraph, the "average
19 monthly deficit" shall be equal to the difference between the
20 average monthly claims for payment by the fund and the average
21 monthly revenues deposited into the fund, excluding payments
22 made pursuant to this paragraph.

23 Beginning July 1, 2015, of the remainder of the moneys
24 received by the Department under the Use Tax Act, this Act, the
25 Service Occupation Tax Act, and the Retailers' Occupation Tax
26 Act, each month the Department shall deposit \$500,000 into the

1 State Crime Laboratory Fund.

2 Of the remainder of the moneys received by the Department
3 pursuant to this Act, (a) 1.75% thereof shall be paid into the
4 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
5 and after July 1, 1989, 3.8% thereof shall be paid into the
6 Build Illinois Fund; provided, however, that if in any fiscal
7 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
8 may be, of the moneys received by the Department and required
9 to be paid into the Build Illinois Fund pursuant to Section 3
10 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax
11 Act, Section 9 of the Service Use Tax Act, and Section 9 of the
12 Service Occupation Tax Act, such Acts being hereinafter called
13 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case
14 may be, of moneys being hereinafter called the "Tax Act
15 Amount", and (2) the amount transferred to the Build Illinois
16 Fund from the State and Local Sales Tax Reform Fund shall be
17 less than the Annual Specified Amount (as defined in Section 3
18 of the Retailers' Occupation Tax Act), an amount equal to the
19 difference shall be immediately paid into the Build Illinois
20 Fund from other moneys received by the Department pursuant to
21 the Tax Acts; and further provided, that if on the last
22 business day of any month the sum of (1) the Tax Act Amount
23 required to be deposited into the Build Illinois Bond Account
24 in the Build Illinois Fund during such month and (2) the amount
25 transferred during such month to the Build Illinois Fund from
26 the State and Local Sales Tax Reform Fund shall have been less

1 than 1/12 of the Annual Specified Amount, an amount equal to
2 the difference shall be immediately paid into the Build
3 Illinois Fund from other moneys received by the Department
4 pursuant to the Tax Acts; and, further provided, that in no
5 event shall the payments required under the preceding proviso
6 result in aggregate payments into the Build Illinois Fund
7 pursuant to this clause (b) for any fiscal year in excess of
8 the greater of (i) the Tax Act Amount or (ii) the Annual
9 Specified Amount for such fiscal year; and, further provided,
10 that the amounts payable into the Build Illinois Fund under
11 this clause (b) shall be payable only until such time as the
12 aggregate amount on deposit under each trust indenture securing
13 Bonds issued and outstanding pursuant to the Build Illinois
14 Bond Act is sufficient, taking into account any future
15 investment income, to fully provide, in accordance with such
16 indenture, for the defeasance of or the payment of the
17 principal of, premium, if any, and interest on the Bonds
18 secured by such indenture and on any Bonds expected to be
19 issued thereafter and all fees and costs payable with respect
20 thereto, all as certified by the Director of the Bureau of the
21 Budget (now Governor's Office of Management and Budget). If on
22 the last business day of any month in which Bonds are
23 outstanding pursuant to the Build Illinois Bond Act, the
24 aggregate of the moneys deposited in the Build Illinois Bond
25 Account in the Build Illinois Fund in such month shall be less
26 than the amount required to be transferred in such month from

1 the Build Illinois Bond Account to the Build Illinois Bond
2 Retirement and Interest Fund pursuant to Section 13 of the
3 Build Illinois Bond Act, an amount equal to such deficiency
4 shall be immediately paid from other moneys received by the
5 Department pursuant to the Tax Acts to the Build Illinois Fund;
6 provided, however, that any amounts paid to the Build Illinois
7 Fund in any fiscal year pursuant to this sentence shall be
8 deemed to constitute payments pursuant to clause (b) of the
9 preceding sentence and shall reduce the amount otherwise
10 payable for such fiscal year pursuant to clause (b) of the
11 preceding sentence. The moneys received by the Department
12 pursuant to this Act and required to be deposited into the
13 Build Illinois Fund are subject to the pledge, claim and charge
14 set forth in Section 12 of the Build Illinois Bond Act.

15 Subject to payment of amounts into the Build Illinois Fund
16 as provided in the preceding paragraph or in any amendment
17 thereto hereafter enacted, the following specified monthly
18 installment of the amount requested in the certificate of the
19 Chairman of the Metropolitan Pier and Exposition Authority
20 provided under Section 8.25f of the State Finance Act, but not
21 in excess of the sums designated as "Total Deposit", shall be
22 deposited in the aggregate from collections under Section 9 of
23 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
24 9 of the Service Occupation Tax Act, and Section 3 of the
25 Retailers' Occupation Tax Act into the McCormick Place
26 Expansion Project Fund in the specified fiscal years.

	Fiscal Year	Total Deposit
1		
2	1993	\$0
3	1994	53,000,000
4	1995	58,000,000
5	1996	61,000,000
6	1997	64,000,000
7	1998	68,000,000
8	1999	71,000,000
9	2000	75,000,000
10	2001	80,000,000
11	2002	93,000,000
12	2003	99,000,000
13	2004	103,000,000
14	2005	108,000,000
15	2006	113,000,000
16	2007	119,000,000
17	2008	126,000,000
18	2009	132,000,000
19	2010	139,000,000
20	2011	146,000,000
21	2012	153,000,000
22	2013	161,000,000
23	2014	170,000,000
24	2015	179,000,000
25	2016	189,000,000

1	2017	199,000,000
2	2018	210,000,000
3	2019	221,000,000
4	2020	233,000,000
5	2021	246,000,000
6	2022	260,000,000
7	2023	275,000,000
8	2024	275,000,000
9	2025	275,000,000
10	2026	279,000,000
11	2027	292,000,000
12	2028	307,000,000
13	2029	322,000,000
14	2030	338,000,000
15	2031	350,000,000
16	2032	350,000,000

17 and
18 each fiscal year
19 thereafter that bonds
20 are outstanding under
21 Section 13.2 of the
22 Metropolitan Pier and
23 Exposition Authority Act,
24 but not after fiscal year 2060.

25 Beginning July 20, 1993 and in each month of each fiscal
26 year thereafter, one-eighth of the amount requested in the

1 certificate of the Chairman of the Metropolitan Pier and
2 Exposition Authority for that fiscal year, less the amount
3 deposited into the McCormick Place Expansion Project Fund by
4 the State Treasurer in the respective month under subsection
5 (g) of Section 13 of the Metropolitan Pier and Exposition
6 Authority Act, plus cumulative deficiencies in the deposits
7 required under this Section for previous months and years,
8 shall be deposited into the McCormick Place Expansion Project
9 Fund, until the full amount requested for the fiscal year, but
10 not in excess of the amount specified above as "Total Deposit",
11 has been deposited.

12 Subject to payment of amounts into the Build Illinois Fund
13 and the McCormick Place Expansion Project Fund pursuant to the
14 preceding paragraphs or in any amendments thereto hereafter
15 enacted, beginning July 1, 1993 and ending on September 30,
16 2013, the Department shall each month pay into the Illinois Tax
17 Increment Fund 0.27% of 80% of the net revenue realized for the
18 preceding month from the 6.25% general rate on the selling
19 price of tangible personal property.

20 Subject to payment of amounts into the Build Illinois Fund
21 and the McCormick Place Expansion Project Fund pursuant to the
22 preceding paragraphs or in any amendments thereto hereafter
23 enacted, beginning with the receipt of the first report of
24 taxes paid by an eligible business and continuing for a 25-year
25 period, the Department shall each month pay into the Energy
26 Infrastructure Fund 80% of the net revenue realized from the

1 6.25% general rate on the selling price of Illinois-mined coal
2 that was sold to an eligible business. For purposes of this
3 paragraph, the term "eligible business" means a new electric
4 generating facility certified pursuant to Section 605-332 of
5 the Department of Commerce and Economic Opportunity Law of the
6 Civil Administrative Code of Illinois.

7 Subject to payment of amounts into the Build Illinois Fund,
8 the McCormick Place Expansion Project Fund, the Illinois Tax
9 Increment Fund, and the Energy Infrastructure Fund pursuant to
10 the preceding paragraphs or in any amendments to this Section
11 hereafter enacted, beginning on the first day of the first
12 calendar month to occur on or after the effective date of this
13 amendatory Act of the 98th General Assembly, each month, from
14 the collections made under Section 9 of the Use Tax Act,
15 Section 9 of the Service Use Tax Act, Section 9 of the Service
16 Occupation Tax Act, and Section 3 of the Retailers' Occupation
17 Tax Act, the Department shall pay into the Tax Compliance and
18 Administration Fund, to be used, subject to appropriation, to
19 fund additional auditors and compliance personnel at the
20 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
21 the cash receipts collected during the preceding fiscal year by
22 the Audit Bureau of the Department under the Use Tax Act, the
23 Service Use Tax Act, the Service Occupation Tax Act, the
24 Retailers' Occupation Tax Act, and associated local occupation
25 and use taxes administered by the Department.

26 Of the remainder of the moneys received by the Department

1 pursuant to this Act, 75% thereof shall be paid into the
2 General Revenue Fund of the State Treasury and 25% shall be
3 reserved in a special account and used only for the transfer to
4 the Common School Fund as part of the monthly transfer from the
5 General Revenue Fund in accordance with Section 8a of the State
6 Finance Act.

7 As soon as possible after the first day of each month, upon
8 certification of the Department of Revenue, the Comptroller
9 shall order transferred and the Treasurer shall transfer from
10 the General Revenue Fund to the Motor Fuel Tax Fund an amount
11 equal to 1.7% of 80% of the net revenue realized under this Act
12 for the second preceding month. Beginning April 1, 2000, this
13 transfer is no longer required and shall not be made.

14 Net revenue realized for a month shall be the revenue
15 collected by the State pursuant to this Act, less the amount
16 paid out during that month as refunds to taxpayers for
17 overpayment of liability.

18 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
19 98-298, eff. 8-9-13; 98-496, eff. 1-1-14; 98-756, eff. 7-16-14;
20 98-1098, eff. 8-26-14; 99-352, eff. 8-12-15; 99-858, eff.
21 8-19-16.)

22 Section 35-15. The Service Occupation Tax Act is amended by
23 changing Section 9 as follows:

24 (35 ILCS 115/9) (from Ch. 120, par. 439.109)

1 Sec. 9. Each serviceman required or authorized to collect
2 the tax herein imposed shall pay to the Department the amount
3 of such tax at the time when he is required to file his return
4 for the period during which such tax was collectible, less the
5 vendor discount amount ~~a discount of 2.1% prior to January 1,~~
6 ~~1990, and 1.75% on and after January 1, 1990, or \$5 per~~
7 ~~calendar year, whichever is greater,~~ which is allowed to
8 reimburse the serviceman for expenses incurred in collecting
9 the tax, keeping records, preparing and filing returns,
10 remitting the tax and supplying data to the Department on
11 request. On and after January 1, 1990 and prior to January 1,
12 2017, the vendor discount amount shall be 1.75% or \$5 per
13 calendar year, whichever is greater. On and after January 1,
14 2017, the vendor discount amount shall be the sum of (i) 1.75%
15 of the first \$1,000 collected during the calendar year and (ii)
16 1% of the amount of proceeds collected during the calendar year
17 that exceeds \$1,000; however, on and after January 1, 2017, in
18 no event shall the discount allowed to any vendor be less than
19 \$5 in any calendar year or more than \$1,500 in any calendar
20 year. The Department may disallow the discount for servicemen
21 whose certificate of registration is revoked at the time the
22 return is filed, but only if the Department's decision to
23 revoke the certificate of registration has become final.

24 Where such tangible personal property is sold under a
25 conditional sales contract, or under any other form of sale
26 wherein the payment of the principal sum, or a part thereof, is

1 extended beyond the close of the period for which the return is
2 filed, the serviceman, in collecting the tax may collect, for
3 each tax return period, only the tax applicable to the part of
4 the selling price actually received during such tax return
5 period.

6 Except as provided hereinafter in this Section, on or
7 before the twentieth day of each calendar month, such
8 serviceman shall file a return for the preceding calendar month
9 in accordance with reasonable rules and regulations to be
10 promulgated by the Department of Revenue. Such return shall be
11 filed on a form prescribed by the Department and shall contain
12 such information as the Department may reasonably require.

13 The Department may require returns to be filed on a
14 quarterly basis. If so required, a return for each calendar
15 quarter shall be filed on or before the twentieth day of the
16 calendar month following the end of such calendar quarter. The
17 taxpayer shall also file a return with the Department for each
18 of the first two months of each calendar quarter, on or before
19 the twentieth day of the following calendar month, stating:

- 20 1. The name of the seller;
- 21 2. The address of the principal place of business from
22 which he engages in business as a serviceman in this State;
- 23 3. The total amount of taxable receipts received by him
24 during the preceding calendar month, including receipts
25 from charge and time sales, but less all deductions allowed
26 by law;

1 4. The amount of credit provided in Section 2d of this
2 Act;

3 5. The amount of tax due;

4 5-5. The signature of the taxpayer; and

5 6. Such other reasonable information as the Department
6 may require.

7 If a taxpayer fails to sign a return within 30 days after
8 the proper notice and demand for signature by the Department,
9 the return shall be considered valid and any amount shown to be
10 due on the return shall be deemed assessed.

11 Prior to October 1, 2003, and on and after September 1,
12 2004 a serviceman may accept a Manufacturer's Purchase Credit
13 certification from a purchaser in satisfaction of Service Use
14 Tax as provided in Section 3-70 of the Service Use Tax Act if
15 the purchaser provides the appropriate documentation as
16 required by Section 3-70 of the Service Use Tax Act. A
17 Manufacturer's Purchase Credit certification, accepted prior
18 to October 1, 2003 or on or after September 1, 2004 by a
19 serviceman as provided in Section 3-70 of the Service Use Tax
20 Act, may be used by that serviceman to satisfy Service
21 Occupation Tax liability in the amount claimed in the
22 certification, not to exceed 6.25% of the receipts subject to
23 tax from a qualifying purchase. A Manufacturer's Purchase
24 Credit reported on any original or amended return filed under
25 this Act after October 20, 2003 for reporting periods prior to
26 September 1, 2004 shall be disallowed. Manufacturer's Purchase

1 Credit reported on annual returns due on or after January 1,
2 2005 will be disallowed for periods prior to September 1, 2004.
3 No Manufacturer's Purchase Credit may be used after September
4 30, 2003 through August 31, 2004 to satisfy any tax liability
5 imposed under this Act, including any audit liability.

6 If the serviceman's average monthly tax liability to the
7 Department does not exceed \$200, the Department may authorize
8 his returns to be filed on a quarter annual basis, with the
9 return for January, February and March of a given year being
10 due by April 20 of such year; with the return for April, May
11 and June of a given year being due by July 20 of such year; with
12 the return for July, August and September of a given year being
13 due by October 20 of such year, and with the return for
14 October, November and December of a given year being due by
15 January 20 of the following year.

16 If the serviceman's average monthly tax liability to the
17 Department does not exceed \$50, the Department may authorize
18 his returns to be filed on an annual basis, with the return for
19 a given year being due by January 20 of the following year.

20 Such quarter annual and annual returns, as to form and
21 substance, shall be subject to the same requirements as monthly
22 returns.

23 Notwithstanding any other provision in this Act concerning
24 the time within which a serviceman may file his return, in the
25 case of any serviceman who ceases to engage in a kind of
26 business which makes him responsible for filing returns under

1 this Act, such serviceman shall file a final return under this
2 Act with the Department not more than 1 month after
3 discontinuing such business.

4 Beginning October 1, 1993, a taxpayer who has an average
5 monthly tax liability of \$150,000 or more shall make all
6 payments required by rules of the Department by electronic
7 funds transfer. Beginning October 1, 1994, a taxpayer who has
8 an average monthly tax liability of \$100,000 or more shall make
9 all payments required by rules of the Department by electronic
10 funds transfer. Beginning October 1, 1995, a taxpayer who has
11 an average monthly tax liability of \$50,000 or more shall make
12 all payments required by rules of the Department by electronic
13 funds transfer. Beginning October 1, 2000, a taxpayer who has
14 an annual tax liability of \$200,000 or more shall make all
15 payments required by rules of the Department by electronic
16 funds transfer. The term "annual tax liability" shall be the
17 sum of the taxpayer's liabilities under this Act, and under all
18 other State and local occupation and use tax laws administered
19 by the Department, for the immediately preceding calendar year.
20 The term "average monthly tax liability" means the sum of the
21 taxpayer's liabilities under this Act, and under all other
22 State and local occupation and use tax laws administered by the
23 Department, for the immediately preceding calendar year
24 divided by 12. Beginning on October 1, 2002, a taxpayer who has
25 a tax liability in the amount set forth in subsection (b) of
26 Section 2505-210 of the Department of Revenue Law shall make

1 all payments required by rules of the Department by electronic
2 funds transfer.

3 Before August 1 of each year beginning in 1993, the
4 Department shall notify all taxpayers required to make payments
5 by electronic funds transfer. All taxpayers required to make
6 payments by electronic funds transfer shall make those payments
7 for a minimum of one year beginning on October 1.

8 Any taxpayer not required to make payments by electronic
9 funds transfer may make payments by electronic funds transfer
10 with the permission of the Department.

11 All taxpayers required to make payment by electronic funds
12 transfer and any taxpayers authorized to voluntarily make
13 payments by electronic funds transfer shall make those payments
14 in the manner authorized by the Department.

15 The Department shall adopt such rules as are necessary to
16 effectuate a program of electronic funds transfer and the
17 requirements of this Section.

18 Where a serviceman collects the tax with respect to the
19 selling price of tangible personal property which he sells and
20 the purchaser thereafter returns such tangible personal
21 property and the serviceman refunds the selling price thereof
22 to the purchaser, such serviceman shall also refund, to the
23 purchaser, the tax so collected from the purchaser. When filing
24 his return for the period in which he refunds such tax to the
25 purchaser, the serviceman may deduct the amount of the tax so
26 refunded by him to the purchaser from any other Service

1 Occupation Tax, Service Use Tax, Retailers' Occupation Tax or
2 Use Tax which such serviceman may be required to pay or remit
3 to the Department, as shown by such return, provided that the
4 amount of the tax to be deducted shall previously have been
5 remitted to the Department by such serviceman. If the
6 serviceman shall not previously have remitted the amount of
7 such tax to the Department, he shall be entitled to no
8 deduction hereunder upon refunding such tax to the purchaser.

9 If experience indicates such action to be practicable, the
10 Department may prescribe and furnish a combination or joint
11 return which will enable servicemen, who are required to file
12 returns hereunder and also under the Retailers' Occupation Tax
13 Act, the Use Tax Act or the Service Use Tax Act, to furnish all
14 the return information required by all said Acts on the one
15 form.

16 Where the serviceman has more than one business registered
17 with the Department under separate registrations hereunder,
18 such serviceman shall file separate returns for each registered
19 business.

20 Beginning January 1, 1990, each month the Department shall
21 pay into the Local Government Tax Fund the revenue realized for
22 the preceding month from the 1% tax on sales of food for human
23 consumption which is to be consumed off the premises where it
24 is sold (other than alcoholic beverages, soft drinks and food
25 which has been prepared for immediate consumption) and
26 prescription and nonprescription medicines, drugs, medical

1 appliances, products classified as Class III medical devices by
2 the United States Food and Drug Administration that are used
3 for cancer treatment pursuant to a prescription, as well as any
4 accessories and components related to those devices, and
5 insulin, urine testing materials, syringes and needles used by
6 diabetics.

7 Beginning January 1, 1990, each month the Department shall
8 pay into the County and Mass Transit District Fund 4% of the
9 revenue realized for the preceding month from the 6.25% general
10 rate.

11 Beginning August 1, 2000, each month the Department shall
12 pay into the County and Mass Transit District Fund 20% of the
13 net revenue realized for the preceding month from the 1.25%
14 rate on the selling price of motor fuel and gasohol.

15 Beginning January 1, 1990, each month the Department shall
16 pay into the Local Government Tax Fund 16% of the revenue
17 realized for the preceding month from the 6.25% general rate on
18 transfers of tangible personal property.

19 Beginning August 1, 2000, each month the Department shall
20 pay into the Local Government Tax Fund 80% of the net revenue
21 realized for the preceding month from the 1.25% rate on the
22 selling price of motor fuel and gasohol.

23 Beginning October 1, 2009, each month the Department shall
24 pay into the Capital Projects Fund an amount that is equal to
25 an amount estimated by the Department to represent 80% of the
26 net revenue realized for the preceding month from the sale of

1 candy, grooming and hygiene products, and soft drinks that had
2 been taxed at a rate of 1% prior to September 1, 2009 but that
3 are now taxed at 6.25%.

4 Beginning July 1, 2013, each month the Department shall pay
5 into the Underground Storage Tank Fund from the proceeds
6 collected under this Act, the Use Tax Act, the Service Use Tax
7 Act, and the Retailers' Occupation Tax Act an amount equal to
8 the average monthly deficit in the Underground Storage Tank
9 Fund during the prior year, as certified annually by the
10 Illinois Environmental Protection Agency, but the total
11 payment into the Underground Storage Tank Fund under this Act,
12 the Use Tax Act, the Service Use Tax Act, and the Retailers'
13 Occupation Tax Act shall not exceed \$18,000,000 in any State
14 fiscal year. As used in this paragraph, the "average monthly
15 deficit" shall be equal to the difference between the average
16 monthly claims for payment by the fund and the average monthly
17 revenues deposited into the fund, excluding payments made
18 pursuant to this paragraph.

19 Beginning July 1, 2015, of the remainder of the moneys
20 received by the Department under the Use Tax Act, the Service
21 Use Tax Act, this Act, and the Retailers' Occupation Tax Act,
22 each month the Department shall deposit \$500,000 into the State
23 Crime Laboratory Fund.

24 Of the remainder of the moneys received by the Department
25 pursuant to this Act, (a) 1.75% thereof shall be paid into the
26 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on

1 and after July 1, 1989, 3.8% thereof shall be paid into the
2 Build Illinois Fund; provided, however, that if in any fiscal
3 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
4 may be, of the moneys received by the Department and required
5 to be paid into the Build Illinois Fund pursuant to Section 3
6 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax
7 Act, Section 9 of the Service Use Tax Act, and Section 9 of the
8 Service Occupation Tax Act, such Acts being hereinafter called
9 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case
10 may be, of moneys being hereinafter called the "Tax Act
11 Amount", and (2) the amount transferred to the Build Illinois
12 Fund from the State and Local Sales Tax Reform Fund shall be
13 less than the Annual Specified Amount (as defined in Section 3
14 of the Retailers' Occupation Tax Act), an amount equal to the
15 difference shall be immediately paid into the Build Illinois
16 Fund from other moneys received by the Department pursuant to
17 the Tax Acts; and further provided, that if on the last
18 business day of any month the sum of (1) the Tax Act Amount
19 required to be deposited into the Build Illinois Account in the
20 Build Illinois Fund during such month and (2) the amount
21 transferred during such month to the Build Illinois Fund from
22 the State and Local Sales Tax Reform Fund shall have been less
23 than 1/12 of the Annual Specified Amount, an amount equal to
24 the difference shall be immediately paid into the Build
25 Illinois Fund from other moneys received by the Department
26 pursuant to the Tax Acts; and, further provided, that in no

1 event shall the payments required under the preceding proviso
2 result in aggregate payments into the Build Illinois Fund
3 pursuant to this clause (b) for any fiscal year in excess of
4 the greater of (i) the Tax Act Amount or (ii) the Annual
5 Specified Amount for such fiscal year; and, further provided,
6 that the amounts payable into the Build Illinois Fund under
7 this clause (b) shall be payable only until such time as the
8 aggregate amount on deposit under each trust indenture securing
9 Bonds issued and outstanding pursuant to the Build Illinois
10 Bond Act is sufficient, taking into account any future
11 investment income, to fully provide, in accordance with such
12 indenture, for the defeasance of or the payment of the
13 principal of, premium, if any, and interest on the Bonds
14 secured by such indenture and on any Bonds expected to be
15 issued thereafter and all fees and costs payable with respect
16 thereto, all as certified by the Director of the Bureau of the
17 Budget (now Governor's Office of Management and Budget). If on
18 the last business day of any month in which Bonds are
19 outstanding pursuant to the Build Illinois Bond Act, the
20 aggregate of the moneys deposited in the Build Illinois Bond
21 Account in the Build Illinois Fund in such month shall be less
22 than the amount required to be transferred in such month from
23 the Build Illinois Bond Account to the Build Illinois Bond
24 Retirement and Interest Fund pursuant to Section 13 of the
25 Build Illinois Bond Act, an amount equal to such deficiency
26 shall be immediately paid from other moneys received by the

1 Department pursuant to the Tax Acts to the Build Illinois Fund;
2 provided, however, that any amounts paid to the Build Illinois
3 Fund in any fiscal year pursuant to this sentence shall be
4 deemed to constitute payments pursuant to clause (b) of the
5 preceding sentence and shall reduce the amount otherwise
6 payable for such fiscal year pursuant to clause (b) of the
7 preceding sentence. The moneys received by the Department
8 pursuant to this Act and required to be deposited into the
9 Build Illinois Fund are subject to the pledge, claim and charge
10 set forth in Section 12 of the Build Illinois Bond Act.

11 Subject to payment of amounts into the Build Illinois Fund
12 as provided in the preceding paragraph or in any amendment
13 thereto hereafter enacted, the following specified monthly
14 installment of the amount requested in the certificate of the
15 Chairman of the Metropolitan Pier and Exposition Authority
16 provided under Section 8.25f of the State Finance Act, but not
17 in excess of the sums designated as "Total Deposit", shall be
18 deposited in the aggregate from collections under Section 9 of
19 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
20 9 of the Service Occupation Tax Act, and Section 3 of the
21 Retailers' Occupation Tax Act into the McCormick Place
22 Expansion Project Fund in the specified fiscal years.

	Fiscal Year	Total Deposit
23		
24	1993	\$0
25	1994	53,000,000

1	1995	58,000,000
2	1996	61,000,000
3	1997	64,000,000
4	1998	68,000,000
5	1999	71,000,000
6	2000	75,000,000
7	2001	80,000,000
8	2002	93,000,000
9	2003	99,000,000
10	2004	103,000,000
11	2005	108,000,000
12	2006	113,000,000
13	2007	119,000,000
14	2008	126,000,000
15	2009	132,000,000
16	2010	139,000,000
17	2011	146,000,000
18	2012	153,000,000
19	2013	161,000,000
20	2014	170,000,000
21	2015	179,000,000
22	2016	189,000,000
23	2017	199,000,000
24	2018	210,000,000
25	2019	221,000,000
26	2020	233,000,000

1	2021	246,000,000
2	2022	260,000,000
3	2023	275,000,000
4	2024	275,000,000
5	2025	275,000,000
6	2026	279,000,000
7	2027	292,000,000
8	2028	307,000,000
9	2029	322,000,000
10	2030	338,000,000
11	2031	350,000,000
12	2032	350,000,000

13 and
14 each fiscal year
15 thereafter that bonds
16 are outstanding under
17 Section 13.2 of the
18 Metropolitan Pier and
19 Exposition Authority Act,
20 but not after fiscal year 2060.

21 Beginning July 20, 1993 and in each month of each fiscal
22 year thereafter, one-eighth of the amount requested in the
23 certificate of the Chairman of the Metropolitan Pier and
24 Exposition Authority for that fiscal year, less the amount
25 deposited into the McCormick Place Expansion Project Fund by
26 the State Treasurer in the respective month under subsection

1 (g) of Section 13 of the Metropolitan Pier and Exposition
2 Authority Act, plus cumulative deficiencies in the deposits
3 required under this Section for previous months and years,
4 shall be deposited into the McCormick Place Expansion Project
5 Fund, until the full amount requested for the fiscal year, but
6 not in excess of the amount specified above as "Total Deposit",
7 has been deposited.

8 Subject to payment of amounts into the Build Illinois Fund
9 and the McCormick Place Expansion Project Fund pursuant to the
10 preceding paragraphs or in any amendments thereto hereafter
11 enacted, beginning July 1, 1993 and ending on September 30,
12 2013, the Department shall each month pay into the Illinois Tax
13 Increment Fund 0.27% of 80% of the net revenue realized for the
14 preceding month from the 6.25% general rate on the selling
15 price of tangible personal property.

16 Subject to payment of amounts into the Build Illinois Fund
17 and the McCormick Place Expansion Project Fund pursuant to the
18 preceding paragraphs or in any amendments thereto hereafter
19 enacted, beginning with the receipt of the first report of
20 taxes paid by an eligible business and continuing for a 25-year
21 period, the Department shall each month pay into the Energy
22 Infrastructure Fund 80% of the net revenue realized from the
23 6.25% general rate on the selling price of Illinois-mined coal
24 that was sold to an eligible business. For purposes of this
25 paragraph, the term "eligible business" means a new electric
26 generating facility certified pursuant to Section 605-332 of

1 the Department of Commerce and Economic Opportunity Law of the
2 Civil Administrative Code of Illinois.

3 Subject to payment of amounts into the Build Illinois Fund,
4 the McCormick Place Expansion Project Fund, the Illinois Tax
5 Increment Fund, and the Energy Infrastructure Fund pursuant to
6 the preceding paragraphs or in any amendments to this Section
7 hereafter enacted, beginning on the first day of the first
8 calendar month to occur on or after the effective date of this
9 amendatory Act of the 98th General Assembly, each month, from
10 the collections made under Section 9 of the Use Tax Act,
11 Section 9 of the Service Use Tax Act, Section 9 of the Service
12 Occupation Tax Act, and Section 3 of the Retailers' Occupation
13 Tax Act, the Department shall pay into the Tax Compliance and
14 Administration Fund, to be used, subject to appropriation, to
15 fund additional auditors and compliance personnel at the
16 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
17 the cash receipts collected during the preceding fiscal year by
18 the Audit Bureau of the Department under the Use Tax Act, the
19 Service Use Tax Act, the Service Occupation Tax Act, the
20 Retailers' Occupation Tax Act, and associated local occupation
21 and use taxes administered by the Department.

22 Of the remainder of the moneys received by the Department
23 pursuant to this Act, 75% shall be paid into the General
24 Revenue Fund of the State Treasury and 25% shall be reserved in
25 a special account and used only for the transfer to the Common
26 School Fund as part of the monthly transfer from the General

1 Revenue Fund in accordance with Section 8a of the State Finance
2 Act.

3 The Department may, upon separate written notice to a
4 taxpayer, require the taxpayer to prepare and file with the
5 Department on a form prescribed by the Department within not
6 less than 60 days after receipt of the notice an annual
7 information return for the tax year specified in the notice.
8 Such annual return to the Department shall include a statement
9 of gross receipts as shown by the taxpayer's last Federal
10 income tax return. If the total receipts of the business as
11 reported in the Federal income tax return do not agree with the
12 gross receipts reported to the Department of Revenue for the
13 same period, the taxpayer shall attach to his annual return a
14 schedule showing a reconciliation of the 2 amounts and the
15 reasons for the difference. The taxpayer's annual return to the
16 Department shall also disclose the cost of goods sold by the
17 taxpayer during the year covered by such return, opening and
18 closing inventories of such goods for such year, cost of goods
19 used from stock or taken from stock and given away by the
20 taxpayer during such year, pay roll information of the
21 taxpayer's business during such year and any additional
22 reasonable information which the Department deems would be
23 helpful in determining the accuracy of the monthly, quarterly
24 or annual returns filed by such taxpayer as hereinbefore
25 provided for in this Section.

26 If the annual information return required by this Section

1 is not filed when and as required, the taxpayer shall be liable
2 as follows:

3 (i) Until January 1, 1994, the taxpayer shall be liable
4 for a penalty equal to 1/6 of 1% of the tax due from such
5 taxpayer under this Act during the period to be covered by
6 the annual return for each month or fraction of a month
7 until such return is filed as required, the penalty to be
8 assessed and collected in the same manner as any other
9 penalty provided for in this Act.

10 (ii) On and after January 1, 1994, the taxpayer shall
11 be liable for a penalty as described in Section 3-4 of the
12 Uniform Penalty and Interest Act.

13 The chief executive officer, proprietor, owner or highest
14 ranking manager shall sign the annual return to certify the
15 accuracy of the information contained therein. Any person who
16 willfully signs the annual return containing false or
17 inaccurate information shall be guilty of perjury and punished
18 accordingly. The annual return form prescribed by the
19 Department shall include a warning that the person signing the
20 return may be liable for perjury.

21 The foregoing portion of this Section concerning the filing
22 of an annual information return shall not apply to a serviceman
23 who is not required to file an income tax return with the
24 United States Government.

25 As soon as possible after the first day of each month, upon
26 certification of the Department of Revenue, the Comptroller

1 shall order transferred and the Treasurer shall transfer from
2 the General Revenue Fund to the Motor Fuel Tax Fund an amount
3 equal to 1.7% of 80% of the net revenue realized under this Act
4 for the second preceding month. Beginning April 1, 2000, this
5 transfer is no longer required and shall not be made.

6 Net revenue realized for a month shall be the revenue
7 collected by the State pursuant to this Act, less the amount
8 paid out during that month as refunds to taxpayers for
9 overpayment of liability.

10 For greater simplicity of administration, it shall be
11 permissible for manufacturers, importers and wholesalers whose
12 products are sold by numerous servicemen in Illinois, and who
13 wish to do so, to assume the responsibility for accounting and
14 paying to the Department all tax accruing under this Act with
15 respect to such sales, if the servicemen who are affected do
16 not make written objection to the Department to this
17 arrangement.

18 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
19 98-298, eff. 8-9-13; 98-496, eff. 1-1-14; 98-756, eff. 7-16-14;
20 98-1098, eff. 8-26-14; 99-352, eff. 8-12-15; 99-858, eff.
21 8-19-16.)

22 Section 35-20. The Retailers' Occupation Tax Act is amended
23 by changing Section 3 as follows:

24 (35 ILCS 120/3) (from Ch. 120, par. 442)

1 Sec. 3. Except as provided in this Section, on or before
2 the twentieth day of each calendar month, every person engaged
3 in the business of selling tangible personal property at retail
4 in this State during the preceding calendar month shall file a
5 return with the Department, stating:

6 1. The name of the seller;

7 2. His residence address and the address of his
8 principal place of business and the address of the
9 principal place of business (if that is a different
10 address) from which he engages in the business of selling
11 tangible personal property at retail in this State;

12 3. Total amount of receipts received by him during the
13 preceding calendar month or quarter, as the case may be,
14 from sales of tangible personal property, and from services
15 furnished, by him during such preceding calendar month or
16 quarter;

17 4. Total amount received by him during the preceding
18 calendar month or quarter on charge and time sales of
19 tangible personal property, and from services furnished,
20 by him prior to the month or quarter for which the return
21 is filed;

22 5. Deductions allowed by law;

23 6. Gross receipts which were received by him during the
24 preceding calendar month or quarter and upon the basis of
25 which the tax is imposed;

26 7. The amount of credit provided in Section 2d of this

1 Act;

2 8. The amount of tax due;

3 9. The signature of the taxpayer; and

4 10. Such other reasonable information as the
5 Department may require.

6 If a taxpayer fails to sign a return within 30 days after
7 the proper notice and demand for signature by the Department,
8 the return shall be considered valid and any amount shown to be
9 due on the return shall be deemed assessed.

10 Each return shall be accompanied by the statement of
11 prepaid tax issued pursuant to Section 2e for which credit is
12 claimed.

13 Prior to October 1, 2003, and on and after September 1,
14 2004 a retailer may accept a Manufacturer's Purchase Credit
15 certification from a purchaser in satisfaction of Use Tax as
16 provided in Section 3-85 of the Use Tax Act if the purchaser
17 provides the appropriate documentation as required by Section
18 3-85 of the Use Tax Act. A Manufacturer's Purchase Credit
19 certification, accepted by a retailer prior to October 1, 2003
20 and on and after September 1, 2004 as provided in Section 3-85
21 of the Use Tax Act, may be used by that retailer to satisfy
22 Retailers' Occupation Tax liability in the amount claimed in
23 the certification, not to exceed 6.25% of the receipts subject
24 to tax from a qualifying purchase. A Manufacturer's Purchase
25 Credit reported on any original or amended return filed under
26 this Act after October 20, 2003 for reporting periods prior to

1 September 1, 2004 shall be disallowed. Manufacturer's
2 Purchaser Credit reported on annual returns due on or after
3 January 1, 2005 will be disallowed for periods prior to
4 September 1, 2004. No Manufacturer's Purchase Credit may be
5 used after September 30, 2003 through August 31, 2004 to
6 satisfy any tax liability imposed under this Act, including any
7 audit liability.

8 The Department may require returns to be filed on a
9 quarterly basis. If so required, a return for each calendar
10 quarter shall be filed on or before the twentieth day of the
11 calendar month following the end of such calendar quarter. The
12 taxpayer shall also file a return with the Department for each
13 of the first two months of each calendar quarter, on or before
14 the twentieth day of the following calendar month, stating:

15 1. The name of the seller;

16 2. The address of the principal place of business from
17 which he engages in the business of selling tangible
18 personal property at retail in this State;

19 3. The total amount of taxable receipts received by him
20 during the preceding calendar month from sales of tangible
21 personal property by him during such preceding calendar
22 month, including receipts from charge and time sales, but
23 less all deductions allowed by law;

24 4. The amount of credit provided in Section 2d of this
25 Act;

26 5. The amount of tax due; and

1 6. Such other reasonable information as the Department
2 may require.

3 Beginning on October 1, 2003, any person who is not a
4 licensed distributor, importing distributor, or manufacturer,
5 as defined in the Liquor Control Act of 1934, but is engaged in
6 the business of selling, at retail, alcoholic liquor shall file
7 a statement with the Department of Revenue, in a format and at
8 a time prescribed by the Department, showing the total amount
9 paid for alcoholic liquor purchased during the preceding month
10 and such other information as is reasonably required by the
11 Department. The Department may adopt rules to require that this
12 statement be filed in an electronic or telephonic format. Such
13 rules may provide for exceptions from the filing requirements
14 of this paragraph. For the purposes of this paragraph, the term
15 "alcoholic liquor" shall have the meaning prescribed in the
16 Liquor Control Act of 1934.

17 Beginning on October 1, 2003, every distributor, importing
18 distributor, and manufacturer of alcoholic liquor as defined in
19 the Liquor Control Act of 1934, shall file a statement with the
20 Department of Revenue, no later than the 10th day of the month
21 for the preceding month during which transactions occurred, by
22 electronic means, showing the total amount of gross receipts
23 from the sale of alcoholic liquor sold or distributed during
24 the preceding month to purchasers; identifying the purchaser to
25 whom it was sold or distributed; the purchaser's tax
26 registration number; and such other information reasonably

1 required by the Department. A distributor, importing
2 distributor, or manufacturer of alcoholic liquor must
3 personally deliver, mail, or provide by electronic means to
4 each retailer listed on the monthly statement a report
5 containing a cumulative total of that distributor's, importing
6 distributor's, or manufacturer's total sales of alcoholic
7 liquor to that retailer no later than the 10th day of the month
8 for the preceding month during which the transaction occurred.
9 The distributor, importing distributor, or manufacturer shall
10 notify the retailer as to the method by which the distributor,
11 importing distributor, or manufacturer will provide the sales
12 information. If the retailer is unable to receive the sales
13 information by electronic means, the distributor, importing
14 distributor, or manufacturer shall furnish the sales
15 information by personal delivery or by mail. For purposes of
16 this paragraph, the term "electronic means" includes, but is
17 not limited to, the use of a secure Internet website, e-mail,
18 or facsimile.

19 If a total amount of less than \$1 is payable, refundable or
20 creditable, such amount shall be disregarded if it is less than
21 50 cents and shall be increased to \$1 if it is 50 cents or more.

22 Beginning October 1, 1993, a taxpayer who has an average
23 monthly tax liability of \$150,000 or more shall make all
24 payments required by rules of the Department by electronic
25 funds transfer. Beginning October 1, 1994, a taxpayer who has
26 an average monthly tax liability of \$100,000 or more shall make

1 all payments required by rules of the Department by electronic
2 funds transfer. Beginning October 1, 1995, a taxpayer who has
3 an average monthly tax liability of \$50,000 or more shall make
4 all payments required by rules of the Department by electronic
5 funds transfer. Beginning October 1, 2000, a taxpayer who has
6 an annual tax liability of \$200,000 or more shall make all
7 payments required by rules of the Department by electronic
8 funds transfer. The term "annual tax liability" shall be the
9 sum of the taxpayer's liabilities under this Act, and under all
10 other State and local occupation and use tax laws administered
11 by the Department, for the immediately preceding calendar year.
12 The term "average monthly tax liability" shall be the sum of
13 the taxpayer's liabilities under this Act, and under all other
14 State and local occupation and use tax laws administered by the
15 Department, for the immediately preceding calendar year
16 divided by 12. Beginning on October 1, 2002, a taxpayer who has
17 a tax liability in the amount set forth in subsection (b) of
18 Section 2505-210 of the Department of Revenue Law shall make
19 all payments required by rules of the Department by electronic
20 funds transfer.

21 Before August 1 of each year beginning in 1993, the
22 Department shall notify all taxpayers required to make payments
23 by electronic funds transfer. All taxpayers required to make
24 payments by electronic funds transfer shall make those payments
25 for a minimum of one year beginning on October 1.

26 Any taxpayer not required to make payments by electronic

1 funds transfer may make payments by electronic funds transfer
2 with the permission of the Department.

3 All taxpayers required to make payment by electronic funds
4 transfer and any taxpayers authorized to voluntarily make
5 payments by electronic funds transfer shall make those payments
6 in the manner authorized by the Department.

7 The Department shall adopt such rules as are necessary to
8 effectuate a program of electronic funds transfer and the
9 requirements of this Section.

10 Any amount which is required to be shown or reported on any
11 return or other document under this Act shall, if such amount
12 is not a whole-dollar amount, be increased to the nearest
13 whole-dollar amount in any case where the fractional part of a
14 dollar is 50 cents or more, and decreased to the nearest
15 whole-dollar amount where the fractional part of a dollar is
16 less than 50 cents.

17 If the retailer is otherwise required to file a monthly
18 return and if the retailer's average monthly tax liability to
19 the Department does not exceed \$200, the Department may
20 authorize his returns to be filed on a quarter annual basis,
21 with the return for January, February and March of a given year
22 being due by April 20 of such year; with the return for April,
23 May and June of a given year being due by July 20 of such year;
24 with the return for July, August and September of a given year
25 being due by October 20 of such year, and with the return for
26 October, November and December of a given year being due by

1 January 20 of the following year.

2 If the retailer is otherwise required to file a monthly or
3 quarterly return and if the retailer's average monthly tax
4 liability with the Department does not exceed \$50, the
5 Department may authorize his returns to be filed on an annual
6 basis, with the return for a given year being due by January 20
7 of the following year.

8 Such quarter annual and annual returns, as to form and
9 substance, shall be subject to the same requirements as monthly
10 returns.

11 Notwithstanding any other provision in this Act concerning
12 the time within which a retailer may file his return, in the
13 case of any retailer who ceases to engage in a kind of business
14 which makes him responsible for filing returns under this Act,
15 such retailer shall file a final return under this Act with the
16 Department not more than one month after discontinuing such
17 business.

18 Where the same person has more than one business registered
19 with the Department under separate registrations under this
20 Act, such person may not file each return that is due as a
21 single return covering all such registered businesses, but
22 shall file separate returns for each such registered business.

23 In addition, with respect to motor vehicles, watercraft,
24 aircraft, and trailers that are required to be registered with
25 an agency of this State, every retailer selling this kind of
26 tangible personal property shall file, with the Department,

1 upon a form to be prescribed and supplied by the Department, a
2 separate return for each such item of tangible personal
3 property which the retailer sells, except that if, in the same
4 transaction, (i) a retailer of aircraft, watercraft, motor
5 vehicles or trailers transfers more than one aircraft,
6 watercraft, motor vehicle or trailer to another aircraft,
7 watercraft, motor vehicle retailer or trailer retailer for the
8 purpose of resale or (ii) a retailer of aircraft, watercraft,
9 motor vehicles, or trailers transfers more than one aircraft,
10 watercraft, motor vehicle, or trailer to a purchaser for use as
11 a qualifying rolling stock as provided in Section 2-5 of this
12 Act, then that seller may report the transfer of all aircraft,
13 watercraft, motor vehicles or trailers involved in that
14 transaction to the Department on the same uniform
15 invoice-transaction reporting return form. For purposes of
16 this Section, "watercraft" means a Class 2, Class 3, or Class 4
17 watercraft as defined in Section 3-2 of the Boat Registration
18 and Safety Act, a personal watercraft, or any boat equipped
19 with an inboard motor.

20 Any retailer who sells only motor vehicles, watercraft,
21 aircraft, or trailers that are required to be registered with
22 an agency of this State, so that all retailers' occupation tax
23 liability is required to be reported, and is reported, on such
24 transaction reporting returns and who is not otherwise required
25 to file monthly or quarterly returns, need not file monthly or
26 quarterly returns. However, those retailers shall be required

1 to file returns on an annual basis.

2 The transaction reporting return, in the case of motor
3 vehicles or trailers that are required to be registered with an
4 agency of this State, shall be the same document as the Uniform
5 Invoice referred to in Section 5-402 of The Illinois Vehicle
6 Code and must show the name and address of the seller; the name
7 and address of the purchaser; the amount of the selling price
8 including the amount allowed by the retailer for traded-in
9 property, if any; the amount allowed by the retailer for the
10 traded-in tangible personal property, if any, to the extent to
11 which Section 1 of this Act allows an exemption for the value
12 of traded-in property; the balance payable after deducting such
13 trade-in allowance from the total selling price; the amount of
14 tax due from the retailer with respect to such transaction; the
15 amount of tax collected from the purchaser by the retailer on
16 such transaction (or satisfactory evidence that such tax is not
17 due in that particular instance, if that is claimed to be the
18 fact); the place and date of the sale; a sufficient
19 identification of the property sold; such other information as
20 is required in Section 5-402 of The Illinois Vehicle Code, and
21 such other information as the Department may reasonably
22 require.

23 The transaction reporting return in the case of watercraft
24 or aircraft must show the name and address of the seller; the
25 name and address of the purchaser; the amount of the selling
26 price including the amount allowed by the retailer for

1 traded-in property, if any; the amount allowed by the retailer
2 for the traded-in tangible personal property, if any, to the
3 extent to which Section 1 of this Act allows an exemption for
4 the value of traded-in property; the balance payable after
5 deducting such trade-in allowance from the total selling price;
6 the amount of tax due from the retailer with respect to such
7 transaction; the amount of tax collected from the purchaser by
8 the retailer on such transaction (or satisfactory evidence that
9 such tax is not due in that particular instance, if that is
10 claimed to be the fact); the place and date of the sale, a
11 sufficient identification of the property sold, and such other
12 information as the Department may reasonably require.

13 Such transaction reporting return shall be filed not later
14 than 20 days after the day of delivery of the item that is
15 being sold, but may be filed by the retailer at any time sooner
16 than that if he chooses to do so. The transaction reporting
17 return and tax remittance or proof of exemption from the
18 Illinois use tax may be transmitted to the Department by way of
19 the State agency with which, or State officer with whom the
20 tangible personal property must be titled or registered (if
21 titling or registration is required) if the Department and such
22 agency or State officer determine that this procedure will
23 expedite the processing of applications for title or
24 registration.

25 With each such transaction reporting return, the retailer
26 shall remit the proper amount of tax due (or shall submit

1 satisfactory evidence that the sale is not taxable if that is
2 the case), to the Department or its agents, whereupon the
3 Department shall issue, in the purchaser's name, a use tax
4 receipt (or a certificate of exemption if the Department is
5 satisfied that the particular sale is tax exempt) which such
6 purchaser may submit to the agency with which, or State officer
7 with whom, he must title or register the tangible personal
8 property that is involved (if titling or registration is
9 required) in support of such purchaser's application for an
10 Illinois certificate or other evidence of title or registration
11 to such tangible personal property.

12 No retailer's failure or refusal to remit tax under this
13 Act precludes a user, who has paid the proper tax to the
14 retailer, from obtaining his certificate of title or other
15 evidence of title or registration (if titling or registration
16 is required) upon satisfying the Department that such user has
17 paid the proper tax (if tax is due) to the retailer. The
18 Department shall adopt appropriate rules to carry out the
19 mandate of this paragraph.

20 If the user who would otherwise pay tax to the retailer
21 wants the transaction reporting return filed and the payment of
22 the tax or proof of exemption made to the Department before the
23 retailer is willing to take these actions and such user has not
24 paid the tax to the retailer, such user may certify to the fact
25 of such delay by the retailer and may (upon the Department
26 being satisfied of the truth of such certification) transmit

1 the information required by the transaction reporting return
2 and the remittance for tax or proof of exemption directly to
3 the Department and obtain his tax receipt or exemption
4 determination, in which event the transaction reporting return
5 and tax remittance (if a tax payment was required) shall be
6 credited by the Department to the proper retailer's account
7 with the Department, but without the vendor's ~~2.1% or 1.75%~~
8 discount provided for in this Section being allowed. When the
9 user pays the tax directly to the Department, he shall pay the
10 tax in the same amount and in the same form in which it would be
11 remitted if the tax had been remitted to the Department by the
12 retailer.

13 Refunds made by the seller during the preceding return
14 period to purchasers, on account of tangible personal property
15 returned to the seller, shall be allowed as a deduction under
16 subdivision 5 of his monthly or quarterly return, as the case
17 may be, in case the seller had theretofore included the
18 receipts from the sale of such tangible personal property in a
19 return filed by him and had paid the tax imposed by this Act
20 with respect to such receipts.

21 Where the seller is a corporation, the return filed on
22 behalf of such corporation shall be signed by the president,
23 vice-president, secretary or treasurer or by the properly
24 accredited agent of such corporation.

25 Where the seller is a limited liability company, the return
26 filed on behalf of the limited liability company shall be

1 signed by a manager, member, or properly accredited agent of
2 the limited liability company.

3 Except as provided in this Section, the retailer filing the
4 return under this Section shall, at the time of filing such
5 return, pay to the Department the amount of tax imposed by this
6 Act less the vendor discount amount ~~a discount of 2.1% prior to~~
7 ~~January 1, 1990 and 1.75% on and after January 1, 1990, or \$5~~
8 ~~per calendar year, whichever is greater~~, which is allowed to
9 reimburse the retailer for the expenses incurred in keeping
10 records, preparing and filing returns, remitting the tax and
11 supplying data to the Department on request. On and after
12 January 1, 1990 and prior to January 1, 2017, the vendor
13 discount amount shall be 1.75% or \$5 per calendar year,
14 whichever is greater. On and after January 1, 2017, the vendor
15 discount amount shall be the sum of (i) 1.75% of the first
16 \$1,000 collected during the calendar year and (ii) 1% of the
17 amount of proceeds collected during the calendar year that
18 exceeds \$1,000; however, on and after January 1, 2017, in no
19 event shall the discount allowed to any vendor be less than \$5
20 in any calendar year or more than \$1,500 in any calendar year.

21 Any prepayment made pursuant to Section 2d of this Act shall be
22 included in the amount on which such 2.1% or 1.75% discount is
23 computed. In the case of retailers who report and pay the tax
24 on a transaction by transaction basis, as provided in this
25 Section, such discount shall be taken with each such tax
26 remittance instead of when such retailer files his periodic

1 return. The Department may disallow the discount for retailers
2 whose certificate of registration is revoked at the time the
3 return is filed, but only if the Department's decision to
4 revoke the certificate of registration has become final.

5 Before October 1, 2000, if the taxpayer's average monthly
6 tax liability to the Department under this Act, the Use Tax
7 Act, the Service Occupation Tax Act, and the Service Use Tax
8 Act, excluding any liability for prepaid sales tax to be
9 remitted in accordance with Section 2d of this Act, was \$10,000
10 or more during the preceding 4 complete calendar quarters, he
11 shall file a return with the Department each month by the 20th
12 day of the month next following the month during which such tax
13 liability is incurred and shall make payments to the Department
14 on or before the 7th, 15th, 22nd and last day of the month
15 during which such liability is incurred. On and after October
16 1, 2000, if the taxpayer's average monthly tax liability to the
17 Department under this Act, the Use Tax Act, the Service
18 Occupation Tax Act, and the Service Use Tax Act, excluding any
19 liability for prepaid sales tax to be remitted in accordance
20 with Section 2d of this Act, was \$20,000 or more during the
21 preceding 4 complete calendar quarters, he shall file a return
22 with the Department each month by the 20th day of the month
23 next following the month during which such tax liability is
24 incurred and shall make payment to the Department on or before
25 the 7th, 15th, 22nd and last day of the month during which such
26 liability is incurred. If the month during which such tax

1 liability is incurred began prior to January 1, 1985, each
2 payment shall be in an amount equal to 1/4 of the taxpayer's
3 actual liability for the month or an amount set by the
4 Department not to exceed 1/4 of the average monthly liability
5 of the taxpayer to the Department for the preceding 4 complete
6 calendar quarters (excluding the month of highest liability and
7 the month of lowest liability in such 4 quarter period). If the
8 month during which such tax liability is incurred begins on or
9 after January 1, 1985 and prior to January 1, 1987, each
10 payment shall be in an amount equal to 22.5% of the taxpayer's
11 actual liability for the month or 27.5% of the taxpayer's
12 liability for the same calendar month of the preceding year. If
13 the month during which such tax liability is incurred begins on
14 or after January 1, 1987 and prior to January 1, 1988, each
15 payment shall be in an amount equal to 22.5% of the taxpayer's
16 actual liability for the month or 26.25% of the taxpayer's
17 liability for the same calendar month of the preceding year. If
18 the month during which such tax liability is incurred begins on
19 or after January 1, 1988, and prior to January 1, 1989, or
20 begins on or after January 1, 1996, each payment shall be in an
21 amount equal to 22.5% of the taxpayer's actual liability for
22 the month or 25% of the taxpayer's liability for the same
23 calendar month of the preceding year. If the month during which
24 such tax liability is incurred begins on or after January 1,
25 1989, and prior to January 1, 1996, each payment shall be in an
26 amount equal to 22.5% of the taxpayer's actual liability for

1 the month or 25% of the taxpayer's liability for the same
2 calendar month of the preceding year or 100% of the taxpayer's
3 actual liability for the quarter monthly reporting period. The
4 amount of such quarter monthly payments shall be credited
5 against the final tax liability of the taxpayer's return for
6 that month. Before October 1, 2000, once applicable, the
7 requirement of the making of quarter monthly payments to the
8 Department by taxpayers having an average monthly tax liability
9 of \$10,000 or more as determined in the manner provided above
10 shall continue until such taxpayer's average monthly liability
11 to the Department during the preceding 4 complete calendar
12 quarters (excluding the month of highest liability and the
13 month of lowest liability) is less than \$9,000, or until such
14 taxpayer's average monthly liability to the Department as
15 computed for each calendar quarter of the 4 preceding complete
16 calendar quarter period is less than \$10,000. However, if a
17 taxpayer can show the Department that a substantial change in
18 the taxpayer's business has occurred which causes the taxpayer
19 to anticipate that his average monthly tax liability for the
20 reasonably foreseeable future will fall below the \$10,000
21 threshold stated above, then such taxpayer may petition the
22 Department for a change in such taxpayer's reporting status. On
23 and after October 1, 2000, once applicable, the requirement of
24 the making of quarter monthly payments to the Department by
25 taxpayers having an average monthly tax liability of \$20,000 or
26 more as determined in the manner provided above shall continue

1 until such taxpayer's average monthly liability to the
2 Department during the preceding 4 complete calendar quarters
3 (excluding the month of highest liability and the month of
4 lowest liability) is less than \$19,000 or until such taxpayer's
5 average monthly liability to the Department as computed for
6 each calendar quarter of the 4 preceding complete calendar
7 quarter period is less than \$20,000. However, if a taxpayer can
8 show the Department that a substantial change in the taxpayer's
9 business has occurred which causes the taxpayer to anticipate
10 that his average monthly tax liability for the reasonably
11 foreseeable future will fall below the \$20,000 threshold stated
12 above, then such taxpayer may petition the Department for a
13 change in such taxpayer's reporting status. The Department
14 shall change such taxpayer's reporting status unless it finds
15 that such change is seasonal in nature and not likely to be
16 long term. If any such quarter monthly payment is not paid at
17 the time or in the amount required by this Section, then the
18 taxpayer shall be liable for penalties and interest on the
19 difference between the minimum amount due as a payment and the
20 amount of such quarter monthly payment actually and timely
21 paid, except insofar as the taxpayer has previously made
22 payments for that month to the Department in excess of the
23 minimum payments previously due as provided in this Section.
24 The Department shall make reasonable rules and regulations to
25 govern the quarter monthly payment amount and quarter monthly
26 payment dates for taxpayers who file on other than a calendar

1 monthly basis.

2 The provisions of this paragraph apply before October 1,
3 2001. Without regard to whether a taxpayer is required to make
4 quarter monthly payments as specified above, any taxpayer who
5 is required by Section 2d of this Act to collect and remit
6 prepaid taxes and has collected prepaid taxes which average in
7 excess of \$25,000 per month during the preceding 2 complete
8 calendar quarters, shall file a return with the Department as
9 required by Section 2f and shall make payments to the
10 Department on or before the 7th, 15th, 22nd and last day of the
11 month during which such liability is incurred. If the month
12 during which such tax liability is incurred began prior to the
13 effective date of this amendatory Act of 1985, each payment
14 shall be in an amount not less than 22.5% of the taxpayer's
15 actual liability under Section 2d. If the month during which
16 such tax liability is incurred begins on or after January 1,
17 1986, each payment shall be in an amount equal to 22.5% of the
18 taxpayer's actual liability for the month or 27.5% of the
19 taxpayer's liability for the same calendar month of the
20 preceding calendar year. If the month during which such tax
21 liability is incurred begins on or after January 1, 1987, each
22 payment shall be in an amount equal to 22.5% of the taxpayer's
23 actual liability for the month or 26.25% of the taxpayer's
24 liability for the same calendar month of the preceding year.
25 The amount of such quarter monthly payments shall be credited
26 against the final tax liability of the taxpayer's return for

1 that month filed under this Section or Section 2f, as the case
2 may be. Once applicable, the requirement of the making of
3 quarter monthly payments to the Department pursuant to this
4 paragraph shall continue until such taxpayer's average monthly
5 prepaid tax collections during the preceding 2 complete
6 calendar quarters is \$25,000 or less. If any such quarter
7 monthly payment is not paid at the time or in the amount
8 required, the taxpayer shall be liable for penalties and
9 interest on such difference, except insofar as the taxpayer has
10 previously made payments for that month in excess of the
11 minimum payments previously due.

12 The provisions of this paragraph apply on and after October
13 1, 2001. Without regard to whether a taxpayer is required to
14 make quarter monthly payments as specified above, any taxpayer
15 who is required by Section 2d of this Act to collect and remit
16 prepaid taxes and has collected prepaid taxes that average in
17 excess of \$20,000 per month during the preceding 4 complete
18 calendar quarters shall file a return with the Department as
19 required by Section 2f and shall make payments to the
20 Department on or before the 7th, 15th, 22nd and last day of the
21 month during which the liability is incurred. Each payment
22 shall be in an amount equal to 22.5% of the taxpayer's actual
23 liability for the month or 25% of the taxpayer's liability for
24 the same calendar month of the preceding year. The amount of
25 the quarter monthly payments shall be credited against the
26 final tax liability of the taxpayer's return for that month

1 filed under this Section or Section 2f, as the case may be.
2 Once applicable, the requirement of the making of quarter
3 monthly payments to the Department pursuant to this paragraph
4 shall continue until the taxpayer's average monthly prepaid tax
5 collections during the preceding 4 complete calendar quarters
6 (excluding the month of highest liability and the month of
7 lowest liability) is less than \$19,000 or until such taxpayer's
8 average monthly liability to the Department as computed for
9 each calendar quarter of the 4 preceding complete calendar
10 quarters is less than \$20,000. If any such quarter monthly
11 payment is not paid at the time or in the amount required, the
12 taxpayer shall be liable for penalties and interest on such
13 difference, except insofar as the taxpayer has previously made
14 payments for that month in excess of the minimum payments
15 previously due.

16 If any payment provided for in this Section exceeds the
17 taxpayer's liabilities under this Act, the Use Tax Act, the
18 Service Occupation Tax Act and the Service Use Tax Act, as
19 shown on an original monthly return, the Department shall, if
20 requested by the taxpayer, issue to the taxpayer a credit
21 memorandum no later than 30 days after the date of payment. The
22 credit evidenced by such credit memorandum may be assigned by
23 the taxpayer to a similar taxpayer under this Act, the Use Tax
24 Act, the Service Occupation Tax Act or the Service Use Tax Act,
25 in accordance with reasonable rules and regulations to be
26 prescribed by the Department. If no such request is made, the

1 taxpayer may credit such excess payment against tax liability
2 subsequently to be remitted to the Department under this Act,
3 the Use Tax Act, the Service Occupation Tax Act or the Service
4 Use Tax Act, in accordance with reasonable rules and
5 regulations prescribed by the Department. If the Department
6 subsequently determined that all or any part of the credit
7 taken was not actually due to the taxpayer, the taxpayer's ~~2.1%~~
8 ~~and 1.75%~~ vendor's discount shall be reduced by ~~2.1% or 1.75%~~
9 ~~of~~ the difference between the credit taken and that actually
10 due multiplied by the vendor discount amount, and that taxpayer
11 shall be liable for penalties and interest on such difference.

12 If a retailer of motor fuel is entitled to a credit under
13 Section 2d of this Act which exceeds the taxpayer's liability
14 to the Department under this Act for the month which the
15 taxpayer is filing a return, the Department shall issue the
16 taxpayer a credit memorandum for the excess.

17 Beginning January 1, 1990, each month the Department shall
18 pay into the Local Government Tax Fund, a special fund in the
19 State treasury which is hereby created, the net revenue
20 realized for the preceding month from the 1% tax on sales of
21 food for human consumption which is to be consumed off the
22 premises where it is sold (other than alcoholic beverages, soft
23 drinks and food which has been prepared for immediate
24 consumption) and prescription and nonprescription medicines,
25 drugs, medical appliances, products classified as Class III
26 medical devices by the United States Food and Drug

1 Administration that are used for cancer treatment pursuant to a
2 prescription, as well as any accessories and components related
3 to those devices, and insulin, urine testing materials,
4 syringes and needles used by diabetics.

5 Beginning January 1, 1990, each month the Department shall
6 pay into the County and Mass Transit District Fund, a special
7 fund in the State treasury which is hereby created, 4% of the
8 net revenue realized for the preceding month from the 6.25%
9 general rate.

10 Beginning August 1, 2000, each month the Department shall
11 pay into the County and Mass Transit District Fund 20% of the
12 net revenue realized for the preceding month from the 1.25%
13 rate on the selling price of motor fuel and gasohol. Beginning
14 September 1, 2010, each month the Department shall pay into the
15 County and Mass Transit District Fund 20% of the net revenue
16 realized for the preceding month from the 1.25% rate on the
17 selling price of sales tax holiday items.

18 Beginning January 1, 1990, each month the Department shall
19 pay into the Local Government Tax Fund 16% of the net revenue
20 realized for the preceding month from the 6.25% general rate on
21 the selling price of tangible personal property.

22 Beginning August 1, 2000, each month the Department shall
23 pay into the Local Government Tax Fund 80% of the net revenue
24 realized for the preceding month from the 1.25% rate on the
25 selling price of motor fuel and gasohol. Beginning September 1,
26 2010, each month the Department shall pay into the Local

1 Government Tax Fund 80% of the net revenue realized for the
2 preceding month from the 1.25% rate on the selling price of
3 sales tax holiday items.

4 Beginning October 1, 2009, each month the Department shall
5 pay into the Capital Projects Fund an amount that is equal to
6 an amount estimated by the Department to represent 80% of the
7 net revenue realized for the preceding month from the sale of
8 candy, grooming and hygiene products, and soft drinks that had
9 been taxed at a rate of 1% prior to September 1, 2009 but that
10 are now taxed at 6.25%.

11 Beginning July 1, 2011, each month the Department shall pay
12 into the Clean Air Act (CAA) Permit Fund 80% of the net revenue
13 realized for the preceding month from the 6.25% general rate on
14 the selling price of sorbents used in Illinois in the process
15 of sorbent injection as used to comply with the Environmental
16 Protection Act or the federal Clean Air Act, but the total
17 payment into the Clean Air Act (CAA) Permit Fund under this Act
18 and the Use Tax Act shall not exceed \$2,000,000 in any fiscal
19 year.

20 Beginning July 1, 2013, each month the Department shall pay
21 into the Underground Storage Tank Fund from the proceeds
22 collected under this Act, the Use Tax Act, the Service Use Tax
23 Act, and the Service Occupation Tax Act an amount equal to the
24 average monthly deficit in the Underground Storage Tank Fund
25 during the prior year, as certified annually by the Illinois
26 Environmental Protection Agency, but the total payment into the

1 Underground Storage Tank Fund under this Act, the Use Tax Act,
2 the Service Use Tax Act, and the Service Occupation Tax Act
3 shall not exceed \$18,000,000 in any State fiscal year. As used
4 in this paragraph, the "average monthly deficit" shall be equal
5 to the difference between the average monthly claims for
6 payment by the fund and the average monthly revenues deposited
7 into the fund, excluding payments made pursuant to this
8 paragraph.

9 Beginning July 1, 2015, of the remainder of the moneys
10 received by the Department under the Use Tax Act, the Service
11 Use Tax Act, the Service Occupation Tax Act, and this Act, each
12 month the Department shall deposit \$500,000 into the State
13 Crime Laboratory Fund.

14 Of the remainder of the moneys received by the Department
15 pursuant to this Act, (a) 1.75% thereof shall be paid into the
16 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
17 and after July 1, 1989, 3.8% thereof shall be paid into the
18 Build Illinois Fund; provided, however, that if in any fiscal
19 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
20 may be, of the moneys received by the Department and required
21 to be paid into the Build Illinois Fund pursuant to this Act,
22 Section 9 of the Use Tax Act, Section 9 of the Service Use Tax
23 Act, and Section 9 of the Service Occupation Tax Act, such Acts
24 being hereinafter called the "Tax Acts" and such aggregate of
25 2.2% or 3.8%, as the case may be, of moneys being hereinafter
26 called the "Tax Act Amount", and (2) the amount transferred to

1 the Build Illinois Fund from the State and Local Sales Tax
2 Reform Fund shall be less than the Annual Specified Amount (as
3 hereinafter defined), an amount equal to the difference shall
4 be immediately paid into the Build Illinois Fund from other
5 moneys received by the Department pursuant to the Tax Acts; the
6 "Annual Specified Amount" means the amounts specified below for
7 fiscal years 1986 through 1993:

8	Fiscal Year	Annual Specified Amount
9	1986	\$54,800,000
10	1987	\$76,650,000
11	1988	\$80,480,000
12	1989	\$88,510,000
13	1990	\$115,330,000
14	1991	\$145,470,000
15	1992	\$182,730,000
16	1993	\$206,520,000;

17 and means the Certified Annual Debt Service Requirement (as
18 defined in Section 13 of the Build Illinois Bond Act) or the
19 Tax Act Amount, whichever is greater, for fiscal year 1994 and
20 each fiscal year thereafter; and further provided, that if on
21 the last business day of any month the sum of (1) the Tax Act
22 Amount required to be deposited into the Build Illinois Bond
23 Account in the Build Illinois Fund during such month and (2)
24 the amount transferred to the Build Illinois Fund from the
25 State and Local Sales Tax Reform Fund shall have been less than
26 1/12 of the Annual Specified Amount, an amount equal to the

1 difference shall be immediately paid into the Build Illinois
2 Fund from other moneys received by the Department pursuant to
3 the Tax Acts; and, further provided, that in no event shall the
4 payments required under the preceding proviso result in
5 aggregate payments into the Build Illinois Fund pursuant to
6 this clause (b) for any fiscal year in excess of the greater of
7 (i) the Tax Act Amount or (ii) the Annual Specified Amount for
8 such fiscal year. The amounts payable into the Build Illinois
9 Fund under clause (b) of the first sentence in this paragraph
10 shall be payable only until such time as the aggregate amount
11 on deposit under each trust indenture securing Bonds issued and
12 outstanding pursuant to the Build Illinois Bond Act is
13 sufficient, taking into account any future investment income,
14 to fully provide, in accordance with such indenture, for the
15 defeasance of or the payment of the principal of, premium, if
16 any, and interest on the Bonds secured by such indenture and on
17 any Bonds expected to be issued thereafter and all fees and
18 costs payable with respect thereto, all as certified by the
19 Director of the Bureau of the Budget (now Governor's Office of
20 Management and Budget). If on the last business day of any
21 month in which Bonds are outstanding pursuant to the Build
22 Illinois Bond Act, the aggregate of moneys deposited in the
23 Build Illinois Bond Account in the Build Illinois Fund in such
24 month shall be less than the amount required to be transferred
25 in such month from the Build Illinois Bond Account to the Build
26 Illinois Bond Retirement and Interest Fund pursuant to Section

1 13 of the Build Illinois Bond Act, an amount equal to such
2 deficiency shall be immediately paid from other moneys received
3 by the Department pursuant to the Tax Acts to the Build
4 Illinois Fund; provided, however, that any amounts paid to the
5 Build Illinois Fund in any fiscal year pursuant to this
6 sentence shall be deemed to constitute payments pursuant to
7 clause (b) of the first sentence of this paragraph and shall
8 reduce the amount otherwise payable for such fiscal year
9 pursuant to that clause (b). The moneys received by the
10 Department pursuant to this Act and required to be deposited
11 into the Build Illinois Fund are subject to the pledge, claim
12 and charge set forth in Section 12 of the Build Illinois Bond
13 Act.

14 Subject to payment of amounts into the Build Illinois Fund
15 as provided in the preceding paragraph or in any amendment
16 thereto hereafter enacted, the following specified monthly
17 installment of the amount requested in the certificate of the
18 Chairman of the Metropolitan Pier and Exposition Authority
19 provided under Section 8.25f of the State Finance Act, but not
20 in excess of sums designated as "Total Deposit", shall be
21 deposited in the aggregate from collections under Section 9 of
22 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
23 9 of the Service Occupation Tax Act, and Section 3 of the
24 Retailers' Occupation Tax Act into the McCormick Place
25 Expansion Project Fund in the specified fiscal years.

	Fiscal Year	Total Deposit
1		
2	1993	\$0
3	1994	53,000,000
4	1995	58,000,000
5	1996	61,000,000
6	1997	64,000,000
7	1998	68,000,000
8	1999	71,000,000
9	2000	75,000,000
10	2001	80,000,000
11	2002	93,000,000
12	2003	99,000,000
13	2004	103,000,000
14	2005	108,000,000
15	2006	113,000,000
16	2007	119,000,000
17	2008	126,000,000
18	2009	132,000,000
19	2010	139,000,000
20	2011	146,000,000
21	2012	153,000,000
22	2013	161,000,000
23	2014	170,000,000
24	2015	179,000,000
25	2016	189,000,000

1	2017	199,000,000
2	2018	210,000,000
3	2019	221,000,000
4	2020	233,000,000
5	2021	246,000,000
6	2022	260,000,000
7	2023	275,000,000
8	2024	275,000,000
9	2025	275,000,000
10	2026	279,000,000
11	2027	292,000,000
12	2028	307,000,000
13	2029	322,000,000
14	2030	338,000,000
15	2031	350,000,000
16	2032	350,000,000

17 and
18 each fiscal year
19 thereafter that bonds
20 are outstanding under
21 Section 13.2 of the
22 Metropolitan Pier and
23 Exposition Authority Act,
24 but not after fiscal year 2060.

25 Beginning July 20, 1993 and in each month of each fiscal
26 year thereafter, one-eighth of the amount requested in the

1 certificate of the Chairman of the Metropolitan Pier and
2 Exposition Authority for that fiscal year, less the amount
3 deposited into the McCormick Place Expansion Project Fund by
4 the State Treasurer in the respective month under subsection
5 (g) of Section 13 of the Metropolitan Pier and Exposition
6 Authority Act, plus cumulative deficiencies in the deposits
7 required under this Section for previous months and years,
8 shall be deposited into the McCormick Place Expansion Project
9 Fund, until the full amount requested for the fiscal year, but
10 not in excess of the amount specified above as "Total Deposit",
11 has been deposited.

12 Subject to payment of amounts into the Build Illinois Fund
13 and the McCormick Place Expansion Project Fund pursuant to the
14 preceding paragraphs or in any amendments thereto hereafter
15 enacted, beginning July 1, 1993 and ending on September 30,
16 2013, the Department shall each month pay into the Illinois Tax
17 Increment Fund 0.27% of 80% of the net revenue realized for the
18 preceding month from the 6.25% general rate on the selling
19 price of tangible personal property.

20 Subject to payment of amounts into the Build Illinois Fund
21 and the McCormick Place Expansion Project Fund pursuant to the
22 preceding paragraphs or in any amendments thereto hereafter
23 enacted, beginning with the receipt of the first report of
24 taxes paid by an eligible business and continuing for a 25-year
25 period, the Department shall each month pay into the Energy
26 Infrastructure Fund 80% of the net revenue realized from the

1 6.25% general rate on the selling price of Illinois-mined coal
2 that was sold to an eligible business. For purposes of this
3 paragraph, the term "eligible business" means a new electric
4 generating facility certified pursuant to Section 605-332 of
5 the Department of Commerce and Economic Opportunity Law of the
6 Civil Administrative Code of Illinois.

7 Subject to payment of amounts into the Build Illinois Fund,
8 the McCormick Place Expansion Project Fund, the Illinois Tax
9 Increment Fund, and the Energy Infrastructure Fund pursuant to
10 the preceding paragraphs or in any amendments to this Section
11 hereafter enacted, beginning on the first day of the first
12 calendar month to occur on or after the effective date of this
13 amendatory Act of the 98th General Assembly, each month, from
14 the collections made under Section 9 of the Use Tax Act,
15 Section 9 of the Service Use Tax Act, Section 9 of the Service
16 Occupation Tax Act, and Section 3 of the Retailers' Occupation
17 Tax Act, the Department shall pay into the Tax Compliance and
18 Administration Fund, to be used, subject to appropriation, to
19 fund additional auditors and compliance personnel at the
20 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
21 the cash receipts collected during the preceding fiscal year by
22 the Audit Bureau of the Department under the Use Tax Act, the
23 Service Use Tax Act, the Service Occupation Tax Act, the
24 Retailers' Occupation Tax Act, and associated local occupation
25 and use taxes administered by the Department.

26 Of the remainder of the moneys received by the Department

1 pursuant to this Act, 75% thereof shall be paid into the State
2 Treasury and 25% shall be reserved in a special account and
3 used only for the transfer to the Common School Fund as part of
4 the monthly transfer from the General Revenue Fund in
5 accordance with Section 8a of the State Finance Act.

6 The Department may, upon separate written notice to a
7 taxpayer, require the taxpayer to prepare and file with the
8 Department on a form prescribed by the Department within not
9 less than 60 days after receipt of the notice an annual
10 information return for the tax year specified in the notice.
11 Such annual return to the Department shall include a statement
12 of gross receipts as shown by the retailer's last Federal
13 income tax return. If the total receipts of the business as
14 reported in the Federal income tax return do not agree with the
15 gross receipts reported to the Department of Revenue for the
16 same period, the retailer shall attach to his annual return a
17 schedule showing a reconciliation of the 2 amounts and the
18 reasons for the difference. The retailer's annual return to the
19 Department shall also disclose the cost of goods sold by the
20 retailer during the year covered by such return, opening and
21 closing inventories of such goods for such year, costs of goods
22 used from stock or taken from stock and given away by the
23 retailer during such year, payroll information of the
24 retailer's business during such year and any additional
25 reasonable information which the Department deems would be
26 helpful in determining the accuracy of the monthly, quarterly

1 or annual returns filed by such retailer as provided for in
2 this Section.

3 If the annual information return required by this Section
4 is not filed when and as required, the taxpayer shall be liable
5 as follows:

6 (i) Until January 1, 1994, the taxpayer shall be liable
7 for a penalty equal to 1/6 of 1% of the tax due from such
8 taxpayer under this Act during the period to be covered by
9 the annual return for each month or fraction of a month
10 until such return is filed as required, the penalty to be
11 assessed and collected in the same manner as any other
12 penalty provided for in this Act.

13 (ii) On and after January 1, 1994, the taxpayer shall
14 be liable for a penalty as described in Section 3-4 of the
15 Uniform Penalty and Interest Act.

16 The chief executive officer, proprietor, owner or highest
17 ranking manager shall sign the annual return to certify the
18 accuracy of the information contained therein. Any person who
19 willfully signs the annual return containing false or
20 inaccurate information shall be guilty of perjury and punished
21 accordingly. The annual return form prescribed by the
22 Department shall include a warning that the person signing the
23 return may be liable for perjury.

24 The provisions of this Section concerning the filing of an
25 annual information return do not apply to a retailer who is not
26 required to file an income tax return with the United States

1 Government.

2 As soon as possible after the first day of each month, upon
3 certification of the Department of Revenue, the Comptroller
4 shall order transferred and the Treasurer shall transfer from
5 the General Revenue Fund to the Motor Fuel Tax Fund an amount
6 equal to 1.7% of 80% of the net revenue realized under this Act
7 for the second preceding month. Beginning April 1, 2000, this
8 transfer is no longer required and shall not be made.

9 Net revenue realized for a month shall be the revenue
10 collected by the State pursuant to this Act, less the amount
11 paid out during that month as refunds to taxpayers for
12 overpayment of liability.

13 For greater simplicity of administration, manufacturers,
14 importers and wholesalers whose products are sold at retail in
15 Illinois by numerous retailers, and who wish to do so, may
16 assume the responsibility for accounting and paying to the
17 Department all tax accruing under this Act with respect to such
18 sales, if the retailers who are affected do not make written
19 objection to the Department to this arrangement.

20 Any person who promotes, organizes, provides retail
21 selling space for concessionaires or other types of sellers at
22 the Illinois State Fair, DuQuoin State Fair, county fairs,
23 local fairs, art shows, flea markets and similar exhibitions or
24 events, including any transient merchant as defined by Section
25 2 of the Transient Merchant Act of 1987, is required to file a
26 report with the Department providing the name of the merchant's

1 business, the name of the person or persons engaged in
2 merchant's business, the permanent address and Illinois
3 Retailers Occupation Tax Registration Number of the merchant,
4 the dates and location of the event and other reasonable
5 information that the Department may require. The report must be
6 filed not later than the 20th day of the month next following
7 the month during which the event with retail sales was held.
8 Any person who fails to file a report required by this Section
9 commits a business offense and is subject to a fine not to
10 exceed \$250.

11 Any person engaged in the business of selling tangible
12 personal property at retail as a concessionaire or other type
13 of seller at the Illinois State Fair, county fairs, art shows,
14 flea markets and similar exhibitions or events, or any
15 transient merchants, as defined by Section 2 of the Transient
16 Merchant Act of 1987, may be required to make a daily report of
17 the amount of such sales to the Department and to make a daily
18 payment of the full amount of tax due. The Department shall
19 impose this requirement when it finds that there is a
20 significant risk of loss of revenue to the State at such an
21 exhibition or event. Such a finding shall be based on evidence
22 that a substantial number of concessionaires or other sellers
23 who are not residents of Illinois will be engaging in the
24 business of selling tangible personal property at retail at the
25 exhibition or event, or other evidence of a significant risk of
26 loss of revenue to the State. The Department shall notify

1 concessionaires and other sellers affected by the imposition of
2 this requirement. In the absence of notification by the
3 Department, the concessionaires and other sellers shall file
4 their returns as otherwise required in this Section.

5 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
6 98-496, eff. 1-1-14; 98-756, eff. 7-16-14; 98-1098, eff.
7 8-26-14; 99-352, eff. 8-12-15; 99-858, eff. 8-19-16.)

8 Section 35-25. The Cigarette Tax Act is amended by changing
9 Section 2 as follows:

10 (35 ILCS 130/2) (from Ch. 120, par. 453.2)

11 Sec. 2. Tax imposed; rate; collection, payment, and
12 distribution; discount.

13 (a) A tax is imposed upon any person engaged in business as
14 a retailer of cigarettes in this State at the rate of 5 1/2
15 mills per cigarette sold, or otherwise disposed of in the
16 course of such business in this State. In addition to any other
17 tax imposed by this Act, a tax is imposed upon any person
18 engaged in business as a retailer of cigarettes in this State
19 at a rate of 1/2 mill per cigarette sold or otherwise disposed
20 of in the course of such business in this State on and after
21 January 1, 1947, and shall be paid into the Metropolitan Fair
22 and Exposition Authority Reconstruction Fund or as otherwise
23 provided in Section 29. On and after December 1, 1985, in
24 addition to any other tax imposed by this Act, a tax is imposed

1 upon any person engaged in business as a retailer of cigarettes
2 in this State at a rate of 4 mills per cigarette sold or
3 otherwise disposed of in the course of such business in this
4 State. Of the additional tax imposed by this amendatory Act of
5 1985, \$9,000,000 of the moneys received by the Department of
6 Revenue pursuant to this Act shall be paid each month into the
7 Common School Fund. On and after the effective date of this
8 amendatory Act of 1989, in addition to any other tax imposed by
9 this Act, a tax is imposed upon any person engaged in business
10 as a retailer of cigarettes at the rate of 5 mills per
11 cigarette sold or otherwise disposed of in the course of such
12 business in this State. On and after the effective date of this
13 amendatory Act of 1993, in addition to any other tax imposed by
14 this Act, a tax is imposed upon any person engaged in business
15 as a retailer of cigarettes at the rate of 7 mills per
16 cigarette sold or otherwise disposed of in the course of such
17 business in this State. On and after December 15, 1997, in
18 addition to any other tax imposed by this Act, a tax is imposed
19 upon any person engaged in business as a retailer of cigarettes
20 at the rate of 7 mills per cigarette sold or otherwise disposed
21 of in the course of such business of this State. All of the
22 moneys received by the Department of Revenue pursuant to this
23 Act and the Cigarette Use Tax Act from the additional taxes
24 imposed by this amendatory Act of 1997, shall be paid each
25 month into the Common School Fund. On and after July 1, 2002,
26 in addition to any other tax imposed by this Act, a tax is

1 imposed upon any person engaged in business as a retailer of
2 cigarettes at the rate of 20.0 mills per cigarette sold or
3 otherwise disposed of in the course of such business in this
4 State. Beginning on June 24, 2012, in addition to any other tax
5 imposed by this Act, a tax is imposed upon any person engaged
6 in business as a retailer of cigarettes at the rate of 50 mills
7 per cigarette sold or otherwise disposed of in the course of
8 such business in this State. All moneys received by the
9 Department of Revenue under this Act and the Cigarette Use Tax
10 Act from the additional taxes imposed by this amendatory Act of
11 the 97th General Assembly shall be paid each month into the
12 Healthcare Provider Relief Fund. The payment of such taxes
13 shall be evidenced by a stamp affixed to each original package
14 of cigarettes, or an authorized substitute for such stamp
15 imprinted on each original package of such cigarettes
16 underneath the sealed transparent outside wrapper of such
17 original package, as hereinafter provided. However, such taxes
18 are not imposed upon any activity in such business in
19 interstate commerce or otherwise, which activity may not under
20 the Constitution and statutes of the United States be made the
21 subject of taxation by this State.

22 Beginning on the effective date of this amendatory Act of
23 the 92nd General Assembly and through June 30, 2006, all of the
24 moneys received by the Department of Revenue pursuant to this
25 Act and the Cigarette Use Tax Act, other than the moneys that
26 are dedicated to the Common School Fund, shall be distributed

1 each month as follows: first, there shall be paid into the
2 General Revenue Fund an amount which, when added to the amount
3 paid into the Common School Fund for that month, equals
4 \$33,300,000, except that in the month of August of 2004, this
5 amount shall equal \$83,300,000; then, from the moneys
6 remaining, if any amounts required to be paid into the General
7 Revenue Fund in previous months remain unpaid, those amounts
8 shall be paid into the General Revenue Fund; then, beginning on
9 April 1, 2003, from the moneys remaining, \$5,000,000 per month
10 shall be paid into the School Infrastructure Fund; then, if any
11 amounts required to be paid into the School Infrastructure Fund
12 in previous months remain unpaid, those amounts shall be paid
13 into the School Infrastructure Fund; then the moneys remaining,
14 if any, shall be paid into the Long-Term Care Provider Fund. To
15 the extent that more than \$25,000,000 has been paid into the
16 General Revenue Fund and Common School Fund per month for the
17 period of July 1, 1993 through the effective date of this
18 amendatory Act of 1994 from combined receipts of the Cigarette
19 Tax Act and the Cigarette Use Tax Act, notwithstanding the
20 distribution provided in this Section, the Department of
21 Revenue is hereby directed to adjust the distribution provided
22 in this Section to increase the next monthly payments to the
23 Long Term Care Provider Fund by the amount paid to the General
24 Revenue Fund and Common School Fund in excess of \$25,000,000
25 per month and to decrease the next monthly payments to the
26 General Revenue Fund and Common School Fund by that same excess

1 amount.

2 Beginning on July 1, 2006, all of the moneys received by
3 the Department of Revenue pursuant to this Act and the
4 Cigarette Use Tax Act, other than the moneys that are dedicated
5 to the Common School Fund and, beginning on the effective date
6 of this amendatory Act of the 97th General Assembly, other than
7 the moneys from the additional taxes imposed by this amendatory
8 Act of the 97th General Assembly that must be paid each month
9 into the Healthcare Provider Relief Fund, shall be distributed
10 each month as follows: first, there shall be paid into the
11 General Revenue Fund an amount that, when added to the amount
12 paid into the Common School Fund for that month, equals
13 \$29,200,000; then, from the moneys remaining, if any amounts
14 required to be paid into the General Revenue Fund in previous
15 months remain unpaid, those amounts shall be paid into the
16 General Revenue Fund; then from the moneys remaining,
17 \$5,000,000 per month shall be paid into the School
18 Infrastructure Fund; then, if any amounts required to be paid
19 into the School Infrastructure Fund in previous months remain
20 unpaid, those amounts shall be paid into the School
21 Infrastructure Fund; then the moneys remaining, if any, shall
22 be paid into the Long-Term Care Provider Fund.

23 Moneys collected from the tax imposed on little cigars
24 under Section 10-10 of the Tobacco Products Tax Act of 1995
25 shall be included with the moneys collected under the Cigarette
26 Tax Act and the Cigarette Use Tax Act when making distributions

1 to the Common School Fund, the Healthcare Provider Relief Fund,
2 the General Revenue Fund, the School Infrastructure Fund, and
3 the Long-Term Care Provider Fund under this Section.

4 When any tax imposed herein terminates or has terminated,
5 distributors who have bought stamps while such tax was in
6 effect and who therefore paid such tax, but who can show, to
7 the Department's satisfaction, that they sold the cigarettes to
8 which they affixed such stamps after such tax had terminated
9 and did not recover the tax or its equivalent from purchasers,
10 shall be allowed by the Department to take credit for such
11 absorbed tax against subsequent tax stamp purchases from the
12 Department by such distributor.

13 The impact of the tax levied by this Act is imposed upon
14 the retailer and shall be prepaid or pre-collected by the
15 distributor for the purpose of convenience and facility only,
16 and the amount of the tax shall be added to the price of the
17 cigarettes sold by such distributor. Collection of the tax
18 shall be evidenced by a stamp or stamps affixed to each
19 original package of cigarettes, as hereinafter provided.

20 Each distributor shall collect the tax from the retailer at
21 or before the time of the sale, shall affix the stamps as
22 hereinafter required, and shall remit the tax collected from
23 retailers to the Department, as hereinafter provided. Any
24 distributor who fails to properly collect and pay the tax
25 imposed by this Act shall be liable for the tax. Any
26 distributor having cigarettes to which stamps have been affixed

1 in his possession for sale on the effective date of this
2 amendatory Act of 1989 shall not be required to pay the
3 additional tax imposed by this amendatory Act of 1989 on such
4 stamped cigarettes. Any distributor having cigarettes to which
5 stamps have been affixed in his or her possession for sale at
6 12:01 a.m. on the effective date of this amendatory Act of
7 1993, is required to pay the additional tax imposed by this
8 amendatory Act of 1993 on such stamped cigarettes. This
9 payment, less the discount provided in subsection (b), shall be
10 due when the distributor first makes a purchase of cigarette
11 tax stamps after the effective date of this amendatory Act of
12 1993, or on the first due date of a return under this Act after
13 the effective date of this amendatory Act of 1993, whichever
14 occurs first. Any distributor having cigarettes to which stamps
15 have been affixed in his possession for sale on December 15,
16 1997 shall not be required to pay the additional tax imposed by
17 this amendatory Act of 1997 on such stamped cigarettes.

18 Any distributor having cigarettes to which stamps have been
19 affixed in his or her possession for sale on July 1, 2002 shall
20 not be required to pay the additional tax imposed by this
21 amendatory Act of the 92nd General Assembly on those stamped
22 cigarettes.

23 Any retailer having cigarettes in his or her possession on
24 June 24, 2012 to which tax stamps have been affixed is not
25 required to pay the additional tax that begins on June 24, 2012
26 imposed by this amendatory Act of the 97th General Assembly on

1 those stamped cigarettes. Any distributor having cigarettes in
2 his or her possession on June 24, 2012 to which tax stamps have
3 been affixed, and any distributor having stamps in his or her
4 possession on June 24, 2012 that have not been affixed to
5 packages of cigarettes before June 24, 2012, is required to pay
6 the additional tax that begins on June 24, 2012 imposed by this
7 amendatory Act of the 97th General Assembly to the extent the
8 calendar year 2012 average monthly volume of cigarette stamps
9 in the distributor's possession exceeds the average monthly
10 volume of cigarette stamps purchased by the distributor in
11 calendar year 2011. This payment, less the discount provided in
12 subsection (b), is due when the distributor first makes a
13 purchase of cigarette stamps on or after June 24, 2012 or on
14 the first due date of a return under this Act occurring on or
15 after June 24, 2012, whichever occurs first. Those distributors
16 may elect to pay the additional tax on packages of cigarettes
17 to which stamps have been affixed and on any stamps in the
18 distributor's possession that have not been affixed to packages
19 of cigarettes over a period not to exceed 12 months from the
20 due date of the additional tax by notifying the Department in
21 writing. The first payment for distributors making such
22 election is due when the distributor first makes a purchase of
23 cigarette tax stamps on or after June 24, 2012 or on the first
24 due date of a return under this Act occurring on or after June
25 24, 2012, whichever occurs first. Distributors making such an
26 election are not entitled to take the discount provided in

1 subsection (b) on such payments.

2 Distributors making sales of cigarettes to secondary
3 distributors shall add the amount of the tax to the price of
4 the cigarettes sold by the distributors. Secondary
5 distributors making sales of cigarettes to retailers shall
6 include the amount of the tax in the price of the cigarettes
7 sold to retailers. The amount of tax shall not be less than the
8 amount of taxes imposed by the State and all local
9 jurisdictions. The amount of local taxes shall be calculated
10 based on the location of the retailer's place of business shown
11 on the retailer's certificate of registration or
12 sub-registration issued to the retailer pursuant to Section 2a
13 of the Retailers' Occupation Tax Act. The original packages of
14 cigarettes sold to the retailer shall bear all the required
15 stamps, or other indicia, for the taxes included in the price
16 of cigarettes.

17 The amount of the Cigarette Tax imposed by this Act shall
18 be separately stated, apart from the price of the goods, by
19 distributors, manufacturer representatives, secondary
20 distributors, and retailers, in all bills and sales invoices.

21 (b) The distributor shall be required to collect the taxes
22 provided under paragraph (a) hereof, and, to cover the costs of
23 such collection, shall be allowed a discount during any year
24 commencing July 1st and ending the following June 30th in
25 accordance with the schedule set out hereinbelow, which
26 discount shall be allowed at the time of purchase of the stamps

1 when purchase is required by this Act, or at the time when the
2 tax is remitted to the Department without the purchase of
3 stamps from the Department when that method of paying the tax
4 is required or authorized by this Act. Prior to December 1,
5 1985, a discount equal to 1 2/3% of the amount of the tax up to
6 and including the first \$700,000 paid hereunder by such
7 distributor to the Department during any such year; 1 1/3% of
8 the next \$700,000 of tax or any part thereof, paid hereunder by
9 such distributor to the Department during any such year; 1% of
10 the next \$700,000 of tax, or any part thereof, paid hereunder
11 by such distributor to the Department during any such year, and
12 2/3 of 1% of the amount of any additional tax paid hereunder by
13 such distributor to the Department during any such year shall
14 apply. On and after December 1, 1985, a discount ~~equal to 1.75%~~
15 ~~of the amount of the tax payable under this Act up to and~~
16 ~~including the first \$3,000,000 paid hereunder by such~~
17 ~~distributor to the Department during any such year and 1.5% of~~
18 ~~the amount of any additional tax paid hereunder by such~~
19 ~~distributor to the Department during any such year shall apply.~~
20 On and after December 1, 1985 and until January 1, 2017, the
21 discount amount shall be 1.75% of the amount of the tax payable
22 under this Act up to and including the first \$3,000,000 paid
23 hereunder by such distributor to the Department during any such
24 year and 1.5% of the amount of any additional tax paid
25 hereunder by such distributor to the Department during any the
26 year. On and after January 1, 2017, the discount amount shall

1 be the sum of (i) 1.75% of the first \$1,000 of the tax payable
2 under this Act during the calendar year and (ii) 1% of the
3 amount of the tax payable under this Act during the calendar
4 year that exceeds \$1,000; however, on and after January 1,
5 2017, in no event shall the discount allowed to any distributor
6 be less than \$5 in any calendar year or more than \$1,500 in any
7 calendar year.

8 Two or more distributors that use a common means of
9 affixing revenue tax stamps or that are owned or controlled by
10 the same interests shall be treated as a single distributor for
11 the purpose of computing the discount.

12 (c) The taxes herein imposed are in addition to all other
13 occupation or privilege taxes imposed by the State of Illinois,
14 or by any political subdivision thereof, or by any municipal
15 corporation.

16 (Source: P.A. 97-587, eff. 8-26-11; 97-688, eff. 6-14-12;
17 98-273, eff. 8-9-13.)

18 Section 35-30. The Cigarette Use Tax Act is amended by
19 changing Section 3 as follows:

20 (35 ILCS 135/3) (from Ch. 120, par. 453.33)

21 Sec. 3. Stamp payment. The tax hereby imposed shall be
22 collected by a distributor maintaining a place of business in
23 this State or a distributor authorized by the Department
24 pursuant to Section 7 hereof to collect the tax, and the amount

1 of the tax shall be added to the price of the cigarettes sold
2 by such distributor. Collection of the tax shall be evidenced
3 by a stamp or stamps affixed to each original package of
4 cigarettes or by an authorized substitute for such stamp
5 imprinted on each original package of such cigarettes
6 underneath the sealed transparent outside wrapper of such
7 original package, except as hereinafter provided. Each
8 distributor who is required or authorized to collect the tax
9 herein imposed, before delivering or causing to be delivered
10 any original packages of cigarettes in this State to any
11 purchaser, shall firmly affix a proper stamp or stamps to each
12 such package, or (in the case of manufacturers of cigarettes in
13 original packages which are contained inside a sealed
14 transparent wrapper) shall imprint the required language on the
15 original package of cigarettes beneath such outside wrapper as
16 hereinafter provided. Such stamp or stamps need not be affixed
17 to the original package of any cigarettes with respect to which
18 the distributor is required to affix a like stamp or stamps by
19 virtue of the Cigarette Tax Act, however, and no tax imprint
20 need be placed underneath the sealed transparent wrapper of an
21 original package of cigarettes with respect to which the
22 distributor is required or authorized to employ a like tax
23 imprint by virtue of the Cigarette Tax Act.

24 No stamp or imprint may be affixed to, or made upon, any
25 package of cigarettes unless that package complies with all
26 requirements of the federal Cigarette Labeling and Advertising

1 Act, 15 U.S.C. 1331 and following, for the placement of labels,
2 warnings, or any other information upon a package of cigarettes
3 that is sold within the United States. Under the authority of
4 Section 6, the Department shall revoke the license of any
5 distributor that is determined to have violated this paragraph.
6 A person may not affix a stamp on a package of cigarettes,
7 cigarette papers, wrappers, or tubes if that individual package
8 has been marked for export outside the United States with a
9 label or notice in compliance with Section 290.185 of Title 27
10 of the Code of Federal Regulations. It is not a defense to a
11 proceeding for violation of this paragraph that the label or
12 notice has been removed, mutilated, obliterated, or altered in
13 any manner.

14 Only distributors licensed under this Act and
15 transporters, as defined in Section 9c of the Cigarette Tax
16 Act, may possess unstamped original packages of cigarettes.
17 Prior to shipment to an Illinois retailer or secondary
18 distributor, a stamp shall be applied to each original package
19 of cigarettes sold to the retailer or secondary distributor. A
20 distributor may apply a tax stamp only to an original package
21 of cigarettes purchased or obtained directly from an in-state
22 maker, manufacturer, or fabricator licensed as a distributor
23 under Section 4 of this Act or an out-of-state maker,
24 manufacturer, or fabricator holding a permit under Section 7 of
25 this Act. A licensed distributor may ship or otherwise cause to
26 be delivered unstamped original packages of cigarettes in,

1 into, or from this State. A licensed distributor may transport
2 unstamped original packages of cigarettes to a facility,
3 wherever located, owned or controlled by such distributor;
4 however, a distributor may not transport unstamped original
5 packages of cigarettes to a facility where retail sales of
6 cigarettes take place or to a facility where a secondary
7 distributor makes sales for resale. Any licensed distributor
8 that ships or otherwise causes to be delivered unstamped
9 original packages of cigarettes into, within, or from this
10 State shall ensure that the invoice or equivalent documentation
11 and the bill of lading or freight bill for the shipment
12 identifies the true name and address of the consignor or
13 seller, the true name and address of the consignee or
14 purchaser, and the quantity by brand style of the cigarettes so
15 transported, provided that this Section shall not be construed
16 as to impose any requirement or liability upon any common or
17 contract carrier.

18 Distributors making sales of cigarettes to secondary
19 distributors shall add the amount of the tax to the price of
20 the cigarettes sold by the distributors. Secondary
21 distributors making sales of cigarettes to retailers shall
22 include the amount of the tax in the price of the cigarettes
23 sold to retailers. The amount of tax shall not be less than the
24 amount of taxes imposed by the State and all local
25 jurisdictions. The amount of local taxes shall be calculated
26 based on the location of the retailer's place of business shown

1 on the retailer's certificate of registration or
2 sub-registration issued to the retailer pursuant to Section 2a
3 of the Retailers' Occupation Tax Act. The original packages of
4 cigarettes sold by the retailer shall bear all the required
5 stamps, or other indicia, for the taxes included in the price
6 of cigarettes.

7 Stamps, when required hereunder, shall be purchased from
8 the Department, or any person authorized by the Department, by
9 distributors. On and after July 1, 2003, payment for such
10 stamps must be made by means of electronic funds transfer. The
11 Department may refuse to sell stamps to any person who does not
12 comply with the provisions of this Act. Beginning on June 6,
13 2002 and through June 30, 2002, persons holding valid licenses
14 as distributors may purchase cigarette tax stamps up to an
15 amount equal to 115% of the distributor's average monthly
16 cigarette tax stamp purchases over the 12 calendar months prior
17 to June 6, 2002.

18 Prior to December 1, 1985, the Department shall allow a
19 distributor 21 days in which to make final payment of the
20 amount to be paid for such stamps, by allowing the distributor
21 to make payment for the stamps at the time of purchasing them
22 with a draft which shall be in such form as the Department
23 prescribes, and which shall be payable within 21 days
24 thereafter: Provided that such distributor has filed with the
25 Department, and has received the Department's approval of, a
26 bond, which is in addition to the bond required under Section 4

1 of this Act, payable to the Department in an amount equal to
2 80% of such distributor's average monthly tax liability to the
3 Department under this Act during the preceding calendar year or
4 \$500,000, whichever is less. The bond shall be joint and
5 several and shall be in the form of a surety company bond in
6 such form as the Department prescribes, or it may be in the
7 form of a bank certificate of deposit or bank letter of credit.
8 The bond shall be conditioned upon the distributor's payment of
9 the amount of any 21-day draft which the Department accepts
10 from that distributor for the delivery of stamps to that
11 distributor under this Act. The distributor's failure to pay
12 any such draft, when due, shall also make such distributor
13 automatically liable to the Department for a penalty equal to
14 25% of the amount of such draft.

15 On and after December 1, 1985 and until July 1, 2003, the
16 Department shall allow a distributor 30 days in which to make
17 final payment of the amount to be paid for such stamps, by
18 allowing the distributor to make payment for the stamps at the
19 time of purchasing them with a draft which shall be in such
20 form as the Department prescribes, and which shall be payable
21 within 30 days thereafter, and beginning on January 1, 2003 and
22 thereafter, the draft shall be payable by means of electronic
23 funds transfer: Provided that such distributor has filed with
24 the Department, and has received the Department's approval of,
25 a bond, which is in addition to the bond required under Section
26 4 of this Act, payable to the Department in an amount equal to

1 150% of such distributor's average monthly tax liability to the
2 Department under this Act during the preceding calendar year or
3 \$750,000, whichever is less, except that as to bonds filed on
4 or after January 1, 1987, such additional bond shall be in an
5 amount equal to 100% of such distributor's average monthly tax
6 liability under this Act during the preceding calendar year or
7 \$750,000, whichever is less. The bond shall be joint and
8 several and shall be in the form of a surety company bond in
9 such form as the Department prescribes, or it may be in the
10 form of a bank certificate of deposit or bank letter of credit.
11 The bond shall be conditioned upon the distributor's payment of
12 the amount of any 30-day draft which the Department accepts
13 from that distributor for the delivery of stamps to that
14 distributor under this Act. The distributor's failure to pay
15 any such draft, when due, shall also make such distributor
16 automatically liable to the Department for a penalty equal to
17 25% of the amount of such draft.

18 Every prior continuous compliance taxpayer shall be exempt
19 from all requirements under this Section concerning the
20 furnishing of such bond, as defined in this Section, as a
21 condition precedent to his being authorized to engage in the
22 business licensed under this Act. This exemption shall continue
23 for each such taxpayer until such time as he may be determined
24 by the Department to be delinquent in the filing of any
25 returns, or is determined by the Department (either through the
26 Department's issuance of a final assessment which has become

1 final under the Act, or by the taxpayer's filing of a return
2 which admits tax to be due that is not paid) to be delinquent
3 or deficient in the paying of any tax under this Act, at which
4 time that taxpayer shall become subject to the bond
5 requirements of this Section and, as a condition of being
6 allowed to continue to engage in the business licensed under
7 this Act, shall be required to furnish bond to the Department
8 in such form as provided in this Section. Such taxpayer shall
9 furnish such bond for a period of 2 years, after which, if the
10 taxpayer has not been delinquent in the filing of any returns,
11 or delinquent or deficient in the paying of any tax under this
12 Act, the Department may reinstate such person as a prior
13 continuance compliance taxpayer. Any taxpayer who fails to pay
14 an admitted or established liability under this Act may also be
15 required to post bond or other acceptable security with the
16 Department guaranteeing the payment of such admitted or
17 established liability.

18 Except as otherwise provided in this Section, any person
19 aggrieved by any decision of the Department under this Section
20 may, within the time allowed by law, protest and request a
21 hearing before the Department, whereupon the Department shall
22 give notice and shall hold a hearing in conformity with the
23 provisions of this Act and then issue its final administrative
24 decision in the matter to such person. Effective July 1, 2013,
25 protests concerning matters that are subject to the
26 jurisdiction of the Illinois Independent Tax Tribunal shall be

1 filed in accordance with the Illinois Independent Tax Tribunal
2 Act of 2012, and hearings concerning those matters shall be
3 held before the Tribunal in accordance with that Act. With
4 respect to protests filed with the Department prior to July 1,
5 2013 that would otherwise be subject to the jurisdiction of the
6 Illinois Independent Tax Tribunal, the person filing the
7 protest may elect to be subject to the provisions of the
8 Illinois Independent Tax Tribunal Act of 2012 at any time on or
9 after July 1, 2013, but not later than 30 days after the date
10 on which the protest was filed. If made, the election shall be
11 irrevocable. In the absence of such a protest filed within the
12 time allowed by law, the Department's decision shall become
13 final without any further determination being made or notice
14 given.

15 The Department shall discharge any surety and shall release
16 and return any bond or security deposited, assigned, pledged,
17 or otherwise provided to it by a taxpayer under this Section
18 within 30 days after:

19 (1) such Taxpayer becomes a prior continuous
20 compliance taxpayer; or

21 (2) such taxpayer has ceased to collect receipts on
22 which he is required to remit tax to the Department, has
23 filed a final tax return, and has paid to the Department an
24 amount sufficient to discharge his remaining tax liability
25 as determined by the Department under this Act. The
26 Department shall make a final determination of the

1 taxpayer's outstanding tax liability as expeditiously as
2 possible after his final tax return has been filed. If the
3 Department cannot make such final determination within 45
4 days after receiving the final tax return, within such
5 period it shall so notify the taxpayer, stating its reasons
6 therefor.

7 At the time of purchasing such stamps from the Department
8 when purchase is required by this Act, or at the time when the
9 tax which he has collected is remitted by a distributor to the
10 Department without the purchase of stamps from the Department
11 when that method of remitting the tax that has been collected
12 is required or authorized by this Act, the distributor shall be
13 allowed a discount during any year commencing July 1 and ending
14 the following June 30 in accordance with the schedule set out
15 hereinbelow, from the amount to be paid by him to the
16 Department for such stamps, or to be paid by him to the
17 Department on the basis of monthly remittances (as the case may
18 be), to cover the cost, to such distributor, of collecting the
19 tax herein imposed by affixing such stamps to the original
20 packages of cigarettes sold by such distributor or by placing
21 tax imprints underneath the sealed transparent wrapper of
22 original packages of cigarettes sold by such distributor (as
23 the case may be). ~~(1) Prior to December 1, 1985, a discount~~
24 ~~equal to 1 2/3% of the amount of the tax up to and including~~
25 ~~the first \$700,000 paid hereunder by such distributor to the~~
26 ~~Department during any such year; 1 1/3% of the next \$700,000 of~~

1 ~~tax or any part thereof, paid hereunder by such distributor to~~
2 ~~the Department during any such year; 1% of the next \$700,000 of~~
3 ~~tax, or any part thereof, paid hereunder by such distributor to~~
4 ~~the Department during any such year; and 2/3 of 1% of the~~
5 ~~amount of any additional tax paid hereunder by such distributor~~
6 ~~to the Department during any such year or (2) On and after~~
7 December 1, 1985 and until January 1, 2017, the a discount
8 shall be equal to 1.75% of the amount of the tax payable under
9 this Act up to and including the first \$3,000,000 paid
10 hereunder by such distributor to the Department during any such
11 year and 1.5% of the amount of any additional tax paid
12 hereunder by such distributor to the Department during any such
13 year. On and after January 1, 2017, the discount shall be equal
14 to the sum of (i) 1.75% of the first \$1,000 of the tax payable
15 under this Act during the calendar year and (ii) 1% of the
16 amount of the tax payable under this Act during the calendar
17 year that exceeds \$1,000; however, on and after January 1,
18 2017, in no event shall the discount allowed to any distributor
19 be less than \$5 in any calendar year or more than \$1,500 in any
20 calendar year.

21 Two or more distributors that use a common means of
22 affixing revenue tax stamps or that are owned or controlled by
23 the same interests shall be treated as a single distributor for
24 the purpose of computing the discount.

25 Cigarette manufacturers who are distributors under Section
26 7(a) of this Act, and who place their cigarettes in original

1 packages which are contained inside a sealed transparent
2 wrapper, shall be required to remit the tax which they are
3 required to collect under this Act to the Department by
4 remitting the amount thereof to the Department by the 5th day
5 of each month, covering cigarettes shipped or otherwise
6 delivered to points in Illinois to purchasers during the
7 preceding calendar month, but a distributor need not remit to
8 the Department the tax so collected by him from purchasers
9 under this Act to the extent to which such distributor is
10 required to remit the tax imposed by the Cigarette Tax Act to
11 the Department with respect to the same cigarettes. All taxes
12 upon cigarettes under this Act are a direct tax upon the retail
13 consumer and shall conclusively be presumed to be precollected
14 for the purpose of convenience and facility only. Cigarette
15 manufacturers that are distributors licensed under Section
16 7(a) of this Act and who place their cigarettes in original
17 packages which are contained inside a sealed transparent
18 wrapper, before delivering such cigarettes or causing such
19 cigarettes to be delivered in this State to purchasers, shall
20 evidence their obligation to collect and remit the tax due with
21 respect to such cigarettes by imprinting language to be
22 prescribed by the Department on each original package of such
23 cigarettes underneath the sealed transparent outside wrapper
24 of such original package, in such place thereon and in such
25 manner as the Department may prescribe; provided (as stated
26 hereinbefore) that this requirement does not apply when such

1 distributor is required or authorized by the Cigarette Tax Act
2 to place the tax imprint provided for in the last paragraph of
3 Section 3 of that Act underneath the sealed transparent wrapper
4 of such original package of cigarettes. Such imprinted language
5 shall acknowledge the manufacturer's collection and payment of
6 or liability for the tax imposed by this Act with respect to
7 such cigarettes.

8 The Department shall adopt the design or designs of the tax
9 stamps and shall procure the printing of such stamps in such
10 amounts and denominations as it deems necessary to provide for
11 the affixation of the proper amount of tax stamps to each
12 original package of cigarettes.

13 Where tax stamps are required, the Department may authorize
14 distributors to affix revenue tax stamps by imprinting tax
15 meter stamps upon original packages of cigarettes. The
16 Department shall adopt rules and regulations relating to the
17 imprinting of such tax meter stamps as will result in payment
18 of the proper taxes as herein imposed. No distributor may affix
19 revenue tax stamps to original packages of cigarettes by
20 imprinting meter stamps thereon unless such distributor has
21 first obtained permission from the Department to employ this
22 method of affixation. The Department shall regulate the use of
23 tax meters and may, to assure the proper collection of the
24 taxes imposed by this Act, revoke or suspend the privilege,
25 theretofore granted by the Department to any distributor, to
26 imprint tax meter stamps upon original packages of cigarettes.

1 The tax hereby imposed and not paid pursuant to this
2 Section shall be paid to the Department directly by any person
3 using such cigarettes within this State, pursuant to Section 12
4 hereof.

5 A distributor shall not affix, or cause to be affixed, any
6 stamp or imprint to a package of cigarettes, as provided for in
7 this Section, if the tobacco product manufacturer, as defined
8 in Section 10 of the Tobacco Product Manufacturers' Escrow Act,
9 that made or sold the cigarettes has failed to become a
10 participating manufacturer, as defined in subdivision (a)(1)
11 of Section 15 of the Tobacco Product Manufacturers' Escrow Act,
12 or has failed to create a qualified escrow fund for any
13 cigarettes manufactured by the tobacco product manufacturer
14 and sold in this State or otherwise failed to bring itself into
15 compliance with subdivision (a)(2) of Section 15 of the Tobacco
16 Product Manufacturers' Escrow Act.

17 (Source: P.A. 96-782, eff. 1-1-10; 96-1027, eff. 7-12-10;
18 97-1129, eff. 8-28-12.)

19 Section 35-35. The Hotel Operators' Occupation Tax Act is
20 amended by changing Section 6 as follows:

21 (35 ILCS 145/6) (from Ch. 120, par. 481b.36)

22 Sec. 6. Except as provided hereinafter in this Section, on
23 or before the last day of each calendar month, every person
24 engaged in the business of renting, leasing or letting rooms in

1 a hotel in this State during the preceding calendar month shall
2 file a return with the Department, stating:

3 1. The name of the operator;

4 2. His residence address and the address of his
5 principal place of business and the address of the
6 principal place of business (if that is a different
7 address) from which he engages in the business of renting,
8 leasing or letting rooms in a hotel in this State;

9 3. Total amount of rental receipts received by him
10 during the preceding calendar month from renting, leasing
11 or letting rooms during such preceding calendar month;

12 4. Total amount of rental receipts received by him
13 during the preceding calendar month from renting, leasing
14 or letting rooms to permanent residents during such
15 preceding calendar month;

16 5. Total amount of other exclusions from gross rental
17 receipts allowed by this Act;

18 6. Gross rental receipts which were received by him
19 during the preceding calendar month and upon the basis of
20 which the tax is imposed;

21 7. The amount of tax due;

22 8. Such other reasonable information as the Department
23 may require.

24 If the operator's average monthly tax liability to the
25 Department does not exceed \$200, the Department may authorize
26 his returns to be filed on a quarter annual basis, with the

1 return for January, February and March of a given year being
2 due by April 30 of such year; with the return for April, May
3 and June of a given year being due by July 31 of such year; with
4 the return for July, August and September of a given year being
5 due by October 31 of such year, and with the return for
6 October, November and December of a given year being due by
7 January 31 of the following year.

8 If the operator's average monthly tax liability to the
9 Department does not exceed \$50, the Department may authorize
10 his returns to be filed on an annual basis, with the return for
11 a given year being due by January 31 of the following year.

12 Such quarter annual and annual returns, as to form and
13 substance, shall be subject to the same requirements as monthly
14 returns.

15 Notwithstanding any other provision in this Act concerning
16 the time within which an operator may file his return, in the
17 case of any operator who ceases to engage in a kind of business
18 which makes him responsible for filing returns under this Act,
19 such operator shall file a final return under this Act with the
20 Department not more than 1 month after discontinuing such
21 business.

22 Where the same person has more than 1 business registered
23 with the Department under separate registrations under this
24 Act, such person shall not file each return that is due as a
25 single return covering all such registered businesses, but
26 shall file separate returns for each such registered business.

1 In his return, the operator shall determine the value of
2 any consideration other than money received by him in
3 connection with the renting, leasing or letting of rooms in the
4 course of his business and he shall include such value in his
5 return. Such determination shall be subject to review and
6 revision by the Department in the manner hereinafter provided
7 for the correction of returns.

8 Where the operator is a corporation, the return filed on
9 behalf of such corporation shall be signed by the president,
10 vice-president, secretary or treasurer or by the properly
11 accredited agent of such corporation.

12 The person filing the return herein provided for shall, at
13 the time of filing such return, pay to the Department the
14 amount of tax herein imposed. The operator filing the return
15 under this Section shall, at the time of filing such return,
16 pay to the Department the amount of tax imposed by this Act
17 less the vendor discount amount ~~a discount of 2.1% or \$25 per~~
18 ~~calendar year, whichever is greater~~, which is allowed to
19 reimburse the operator for the expenses incurred in keeping
20 records, preparing and filing returns, remitting the tax and
21 supplying data to the Department on request. Prior to January
22 1, 2017, the vendor discount amount shall be 2.1% or \$25 per
23 calendar year, whichever is greater. On and after January 1,
24 2017, the vendor discount amount shall be the sum of (i) 1.75%
25 of the first \$1,000 collected during the calendar year and (ii)
26 1% of the amount of proceeds collected during the calendar year

1 that exceeds \$1,000; however, on and after January 1, 2017, in
2 no event shall the discount allowed to any person be less than
3 \$25 in any calendar year or more than \$1,500 in any calendar
4 year.

5 There shall be deposited in the Build Illinois Fund in the
6 State Treasury for each State fiscal year 40% of the amount of
7 total net proceeds from the tax imposed by subsection (a) of
8 Section 3. Of the remaining 60%, \$5,000,000 shall be deposited
9 in the Illinois Sports Facilities Fund and credited to the
10 Subsidy Account each fiscal year by making monthly deposits in
11 the amount of 1/8 of \$5,000,000 plus cumulative deficiencies in
12 such deposits for prior months, and an additional \$8,000,000
13 shall be deposited in the Illinois Sports Facilities Fund and
14 credited to the Advance Account each fiscal year by making
15 monthly deposits in the amount of 1/8 of \$8,000,000 plus any
16 cumulative deficiencies in such deposits for prior months;
17 provided, that for fiscal years ending after June 30, 2001, the
18 amount to be so deposited into the Illinois Sports Facilities
19 Fund and credited to the Advance Account each fiscal year shall
20 be increased from \$8,000,000 to the then applicable Advance
21 Amount and the required monthly deposits beginning with July
22 2001 shall be in the amount of 1/8 of the then applicable
23 Advance Amount plus any cumulative deficiencies in those
24 deposits for prior months. (The deposits of the additional
25 \$8,000,000 or the then applicable Advance Amount, as
26 applicable, during each fiscal year shall be treated as

1 advances of funds to the Illinois Sports Facilities Authority
2 for its corporate purposes to the extent paid to the Authority
3 or its trustee and shall be repaid into the General Revenue
4 Fund in the State Treasury by the State Treasurer on behalf of
5 the Authority pursuant to Section 19 of the Illinois Sports
6 Facilities Authority Act, as amended. If in any fiscal year the
7 full amount of the then applicable Advance Amount is not repaid
8 into the General Revenue Fund, then the deficiency shall be
9 paid from the amount in the Local Government Distributive Fund
10 that would otherwise be allocated to the City of Chicago under
11 the State Revenue Sharing Act.)

12 For purposes of the foregoing paragraph, the term "Advance
13 Amount" means, for fiscal year 2002, \$22,179,000, and for
14 subsequent fiscal years through fiscal year 2032, 105.615% of
15 the Advance Amount for the immediately preceding fiscal year,
16 rounded up to the nearest \$1,000.

17 Of the remaining 60% of the amount of total net proceeds
18 prior to August 1, 2011 from the tax imposed by subsection (a)
19 of Section 3 after all required deposits in the Illinois Sports
20 Facilities Fund, the amount equal to 8% of the net revenue
21 realized from this Act plus an amount equal to 8% of the net
22 revenue realized from any tax imposed under Section 4.05 of the
23 Chicago World's Fair-1992 Authority Act during the preceding
24 month shall be deposited in the Local Tourism Fund each month
25 for purposes authorized by Section 605-705 of the Department of
26 Commerce and Economic Opportunity Law (20 ILCS 605/605-705). Of

1 the remaining 60% of the amount of total net proceeds beginning
2 on August 1, 2011 from the tax imposed by subsection (a) of
3 Section 3 after all required deposits in the Illinois Sports
4 Facilities Fund, an amount equal to 8% of the net revenue
5 realized from this Act plus an amount equal to 8% of the net
6 revenue realized from any tax imposed under Section 4.05 of the
7 Chicago World's Fair-1992 Authority Act during the preceding
8 month shall be deposited as follows: 18% of such amount shall
9 be deposited into the Chicago Travel Industry Promotion Fund
10 for the purposes described in subsection (n) of Section 5 of
11 the Metropolitan Pier and Exposition Authority Act and the
12 remaining 82% of such amount shall be deposited into the Local
13 Tourism Fund each month for purposes authorized by Section
14 605-705 of the Department of Commerce and Economic Opportunity
15 Law. Beginning on August 1, 1999 and ending on July 31, 2011,
16 an amount equal to 4.5% of the net revenue realized from the
17 Hotel Operators' Occupation Tax Act during the preceding month
18 shall be deposited into the International Tourism Fund for the
19 purposes authorized in Section 605-707 of the Department of
20 Commerce and Economic Opportunity Law. Beginning on August 1,
21 2011, an amount equal to 4.5% of the net revenue realized from
22 this Act during the preceding month shall be deposited as
23 follows: 55% of such amount shall be deposited into the Chicago
24 Travel Industry Promotion Fund for the purposes described in
25 subsection (n) of Section 5 of the Metropolitan Pier and
26 Exposition Authority Act and the remaining 45% of such amount

1 deposited into the International Tourism Fund for the purposes
2 authorized in Section 605-707 of the Department of Commerce and
3 Economic Opportunity Law. "Net revenue realized for a month"
4 means the revenue collected by the State under that Act during
5 the previous month less the amount paid out during that same
6 month as refunds to taxpayers for overpayment of liability
7 under that Act.

8 After making all these deposits, all other proceeds of the
9 tax imposed under subsection (a) of Section 3 shall be
10 deposited in the General Revenue Fund in the State Treasury.
11 All moneys received by the Department from the additional tax
12 imposed under subsection (b) of Section 3 shall be deposited
13 into the Build Illinois Fund in the State Treasury.

14 The Department may, upon separate written notice to a
15 taxpayer, require the taxpayer to prepare and file with the
16 Department on a form prescribed by the Department within not
17 less than 60 days after receipt of the notice an annual
18 information return for the tax year specified in the notice.
19 Such annual return to the Department shall include a statement
20 of gross receipts as shown by the operator's last State income
21 tax return. If the total receipts of the business as reported
22 in the State income tax return do not agree with the gross
23 receipts reported to the Department for the same period, the
24 operator shall attach to his annual information return a
25 schedule showing a reconciliation of the 2 amounts and the
26 reasons for the difference. The operator's annual information

1 return to the Department shall also disclose pay roll
2 information of the operator's business during the year covered
3 by such return and any additional reasonable information which
4 the Department deems would be helpful in determining the
5 accuracy of the monthly, quarterly or annual tax returns by
6 such operator as hereinbefore provided for in this Section.

7 If the annual information return required by this Section
8 is not filed when and as required the taxpayer shall be liable
9 for a penalty in an amount determined in accordance with
10 Section 3-4 of the Uniform Penalty and Interest Act until such
11 return is filed as required, the penalty to be assessed and
12 collected in the same manner as any other penalty provided for
13 in this Act.

14 The chief executive officer, proprietor, owner or highest
15 ranking manager shall sign the annual return to certify the
16 accuracy of the information contained therein. Any person who
17 willfully signs the annual return containing false or
18 inaccurate information shall be guilty of perjury and punished
19 accordingly. The annual return form prescribed by the
20 Department shall include a warning that the person signing the
21 return may be liable for perjury.

22 The foregoing portion of this Section concerning the filing
23 of an annual information return shall not apply to an operator
24 who is not required to file an income tax return with the
25 United States Government.

26 (Source: P.A. 97-617, eff. 10-26-11.)

1 Section 35-40. The Motor Fuel Tax Law is amended by
2 changing Sections 2b, 6, and 6a as follows:

3 (35 ILCS 505/2b) (from Ch. 120, par. 418b)

4 Sec. 2b. In addition to the tax collection and reporting
5 responsibilities imposed elsewhere in this Act, a person who is
6 required to pay the tax imposed by Section 2a of this Act shall
7 pay the tax to the Department by return showing all fuel
8 purchased, acquired or received and sold, distributed or used
9 during the preceding calendar month including losses of fuel as
10 the result of evaporation or shrinkage due to temperature
11 variations, and such other reasonable information as the
12 Department may require. Losses of fuel as the result of
13 evaporation or shrinkage due to temperature variations may not
14 exceed 1% of the total gallons in storage at the beginning of
15 the month, plus the receipts of gallonage during the month,
16 minus the gallonage remaining in storage at the end of the
17 month. Any loss reported that is in excess of this amount shall
18 be subject to the tax imposed by Section 2a of this Law. On and
19 after July 1, 2001, for each 6-month period January through
20 June, net losses of fuel (for each category of fuel that is
21 required to be reported on a return) as the result of
22 evaporation or shrinkage due to temperature variations may not
23 exceed 1% of the total gallons in storage at the beginning of
24 each January, plus the receipts of gallonage each January

1 through June, minus the gallonage remaining in storage at the
2 end of each June. On and after July 1, 2001, for each 6-month
3 period July through December, net losses of fuel (for each
4 category of fuel that is required to be reported on a return)
5 as the result of evaporation or shrinkage due to temperature
6 variations may not exceed 1% of the total gallons in storage at
7 the beginning of each July, plus the receipts of gallonage each
8 July through December, minus the gallonage remaining in storage
9 at the end of each December. Any net loss reported that is in
10 excess of this amount shall be subject to the tax imposed by
11 Section 2a of this Law. For purposes of this Section, "net
12 loss" means the number of gallons gained through temperature
13 variations minus the number of gallons lost through temperature
14 variations or evaporation for each of the respective 6-month
15 periods.

16 The return shall be prescribed by the Department and shall
17 be filed between the 1st and 20th days of each calendar month.
18 The Department may, in its discretion, combine the returns
19 filed under this Section, Section 5, and Section 5a of this
20 Act. The return must be accompanied by appropriate
21 computer-generated magnetic media supporting schedule data in
22 the format required by the Department, unless, as provided by
23 rule, the Department grants an exception upon petition of a
24 taxpayer. If the return is filed timely, the seller shall take
25 a discount ~~of 2% through June 30, 2003 and 1.75% thereafter~~
26 which is allowed to reimburse the seller for the expenses

1 incurred in keeping records, preparing and filing returns,
2 collecting and remitting the tax and supplying data to the
3 Department on request. The discount, however, shall be
4 applicable only to the amount of payment which accompanies a
5 return that is filed timely in accordance with this Section.
6 Prior to January 1, 2017, the vendor discount amount shall be
7 1.75%. On and after January 1, 2017, the vendor discount amount
8 shall be the sum of (i) 1.75% of the first \$1,000 collected
9 during the calendar year and (ii) 1% of the amount of proceeds
10 collected during the calendar year that exceeds \$1,000;
11 however, on and after January 1, 2017, in no event shall the
12 discount allowed to any person be more than \$1,500 in any
13 calendar year.

14 (Source: P.A. 92-30, eff. 7-1-01; 93-32, eff. 6-20-03.)

15 (35 ILCS 505/6) (from Ch. 120, par. 422)

16 Sec. 6. Collection of tax; distributors. A distributor who
17 sells or distributes any motor fuel, which he is required by
18 Section 5 to report to the Department when filing a return,
19 shall (except as hereinafter provided) collect at the time of
20 such sale and distribution, the amount of tax imposed under
21 this Act on all such motor fuel sold and distributed, and at
22 the time of making a return, the distributor shall pay to the
23 Department the amount so collected less a discount ~~of 2%~~
24 ~~through June 30, 2003 and 1.75% thereafter~~ which is allowed to
25 reimburse the distributor for the expenses incurred in keeping

1 records, preparing and filing returns, collecting and
2 remitting the tax and supplying data to the Department on
3 request, and shall also pay to the Department an amount equal
4 to the amount that would be collectible as a tax in the event
5 of a sale thereof on all such motor fuel used by said
6 distributor during the period covered by the return. Prior to
7 July 1, 2003, the discount amount shall be 2%. From July 1,
8 2003 through December 31, 2016, the discount amount shall be
9 1.75%. On and after January 1, 2017, the discount amount shall
10 be the sum of (i) 1.75% of the first \$1,000 collected during
11 the calendar year and (ii) 1% of the amount of proceeds
12 collected during the calendar year that exceeds \$1,000;
13 however, on and after January 1, 2017, in no event shall the
14 discount allowed to any distributor be more than \$1,500 in any
15 calendar year. However, no payment shall be made based upon
16 dyed diesel fuel used by the distributor for non-highway
17 purposes. The discount shall only be applicable to the amount
18 of tax payment which accompanies a return which is filed timely
19 in accordance with Section 5 of this Act. In each subsequent
20 sale of motor fuel on which the amount of tax imposed under
21 this Act has been collected as provided in this Section, the
22 amount so collected shall be added to the selling price, so
23 that the amount of tax is paid ultimately by the user of the
24 motor fuel. However, no collection or payment shall be made in
25 the case of the sale or use of any motor fuel to the extent to
26 which such sale or use of motor fuel may not, under the

1 constitution and statutes of the United States, be made the
2 subject of taxation by this State. A person whose license to
3 act as a distributor of fuel has been revoked shall, at the
4 time of making a return, also pay to the Department an amount
5 equal to the amount that would be collectible as a tax in the
6 event of a sale thereof on all motor fuel, which he is required
7 by the second paragraph of Section 5 to report to the
8 Department in making a return, and which he had on hand on the
9 date on which the license was revoked, and with respect to
10 which no tax had been previously paid under this Act.

11 A distributor may make tax free sales of motor fuel, with
12 respect to which he is otherwise required to collect the tax,
13 only as specified in the following items 1 through 7.

14 1. When the sale is made to a person holding a valid
15 unrevoked license as a distributor, by making a specific
16 notation thereof on invoices or sales slip covering each
17 sale.

18 2. When the sale is made with delivery to a purchaser
19 outside of this State.

20 3. When the sale is made to the Federal Government or
21 its instrumentalities.

22 4. When the sale is made to a municipal corporation
23 owning and operating a local transportation system for
24 public service in this State when an official certificate
25 of exemption is obtained in lieu of the tax.

26 5. When the sale is made to a privately owned public

1 utility owning and operating 2 axle vehicles designed and
2 used for transporting more than 7 passengers, which
3 vehicles are used as common carriers in general
4 transportation of passengers, are not devoted to any
5 specialized purpose and are operated entirely within the
6 territorial limits of a single municipality or of any group
7 of contiguous municipalities, or in a close radius thereof,
8 and the operations of which are subject to the regulations
9 of the Illinois Commerce Commission, when an official
10 certificate of exemption is obtained in lieu of the tax.

11 6. When a sale of special fuel is made to a person
12 holding a valid, unrevoked license as a supplier, by making
13 a specific notation thereof on the invoice or sales slip
14 covering each such sale.

15 7. When a sale of dyed diesel fuel is made to someone
16 other than a licensed distributor or a licensed supplier
17 for non-highway purposes and the fuel is (i) delivered from
18 a vehicle designed for the specific purpose of such sales
19 and delivered directly into a stationary bulk storage tank
20 that displays the notice required by Section 4f of this
21 Act, (ii) delivered from a vehicle designed for the
22 specific purpose of such sales and delivered directly into
23 the fuel supply tanks of non-highway vehicles that are not
24 required to be registered for highway use, or (iii)
25 dispensed from a dyed diesel fuel dispensing facility that
26 has withdrawal facilities that are not readily accessible

1 to and are not capable of dispensing dyed diesel fuel into
2 the fuel supply tank of a motor vehicle.

3 A specific notation is required on the invoice or sales
4 slip covering such sales, and any supporting documentation
5 that may be required by the Department must be obtained by
6 the distributor. The distributor shall obtain and keep the
7 supporting documentation in such form as the Department may
8 require by rule.

9 For purposes of this item 7, a dyed diesel fuel
10 dispensing facility is considered to have withdrawal
11 facilities that are "not readily accessible to and not
12 capable of dispensing dyed diesel fuel into the fuel supply
13 tank of a motor vehicle" only if the dyed diesel fuel is
14 delivered from: (i) a dispenser hose that is short enough
15 so that it will not reach the fuel supply tank of a motor
16 vehicle or (ii) a dispenser that is enclosed by a fence or
17 other physical barrier so that a vehicle cannot pull
18 alongside the dispenser to permit fueling.

19 8. (Blank).

20 All special fuel sold or used for non-highway purposes must
21 have a dye added in accordance with Section 4d of this Law.

22 All suits or other proceedings brought for the purpose of
23 recovering any taxes, interest or penalties due the State of
24 Illinois under this Act may be maintained in the name of the
25 Department.

26 (Source: P.A. 96-1384, eff. 7-29-10.)

1 (35 ILCS 505/6a) (from Ch. 120, par. 422a)

2 Sec. 6a. Collection of tax; suppliers. A supplier, other
3 than a licensed distributor, who sells or distributes any
4 special fuel, which he is required by Section 5a to report to
5 the Department when filing a return, shall (except as
6 hereinafter provided) collect at the time of such sale and
7 distribution, the amount of tax imposed under this Act on all
8 such special fuel sold and distributed, and at the time of
9 making a return, the supplier shall pay to the Department the
10 amount so collected less a discount ~~of 2% through June 30, 2003~~
11 ~~and 1.75% thereafter~~ which is allowed to reimburse the supplier
12 for the expenses incurred in keeping records, preparing and
13 filing returns, collecting and remitting the tax and supplying
14 data to the Department on request, and shall also pay to the
15 Department an amount equal to the amount that would be
16 collectible as a tax in the event of a sale thereof on all such
17 special fuel used by said supplier during the period covered by
18 the return. Prior to July 1, 2003, the discount amount shall be
19 2%. From July 1, 2003 through December 31, 2016, the discount
20 amount shall be 1.75%. On and after January 1, 2017, the
21 discount amount shall be the sum of (i) 1.75% of the first
22 \$1,000 collected during the calendar year and (ii) 1% of the
23 amount of proceeds collected during the calendar year that
24 exceeds \$1,000; however, on and after January 1, 2017, in no
25 event shall the discount allowed to any distributor be more

1 than \$1,500 in any calendar year. However, no payment shall be
2 made based upon dyed diesel fuel used by said supplier for
3 non-highway purposes. The discount shall only be applicable to
4 the amount of tax payment which accompanies a return which is
5 filed timely in accordance with Section 5(a) of this Act. In
6 each subsequent sale of special fuel on which the amount of tax
7 imposed under this Act has been collected as provided in this
8 Section, the amount so collected shall be added to the selling
9 price, so that the amount of tax is paid ultimately by the user
10 of the special fuel. However, no collection or payment shall be
11 made in the case of the sale or use of any special fuel to the
12 extent to which such sale or use of motor fuel may not, under
13 the Constitution and statutes of the United States, be made the
14 subject of taxation by this State.

15 A person whose license to act as supplier of special fuel
16 has been revoked shall, at the time of making a return, also
17 pay to the Department an amount equal to the amount that would
18 be collectible as a tax in the event of a sale thereof on all
19 special fuel, which he is required by the 1st paragraph of
20 Section 5a to report to the Department in making a return.

21 A supplier may make tax-free sales of special fuel, with
22 respect to which he is otherwise required to collect the tax,
23 only as specified in the following items 1 through 7.

24 1. When the sale is made to the federal government or
25 its instrumentalities.

26 2. When the sale is made to a municipal corporation

1 owning and operating a local transportation system for
2 public service in this State when an official certificate
3 of exemption is obtained in lieu of the tax.

4 3. When the sale is made to a privately owned public
5 utility owning and operating 2 axle vehicles designed and
6 used for transporting more than 7 passengers, which
7 vehicles are used as common carriers in general
8 transportation of passengers, are not devoted to any
9 specialized purpose and are operated entirely within the
10 territorial limits of a single municipality or of any group
11 of contiguous municipalities, or in a close radius thereof,
12 and the operations of which are subject to the regulations
13 of the Illinois Commerce Commission, when an official
14 certificate of exemption is obtained in lieu of the tax.

15 4. When a sale is made to a person holding a valid
16 unrevoked license as a supplier or a distributor by making
17 a specific notation thereof on invoice or sales slip
18 covering each such sale.

19 5. When a sale of dyed diesel fuel is made to someone
20 other than a licensed distributor or licensed supplier for
21 non-highway purposes and the fuel is (i) delivered from a
22 vehicle designed for the specific purpose of such sales and
23 delivered directly into a stationary bulk storage tank that
24 displays the notice required by Section 4f of this Act,
25 (ii) delivered from a vehicle designed for the specific
26 purpose of such sales and delivered directly into the fuel

1 supply tanks of non-highway vehicles that are not required
2 to be registered for highway use, or (iii) dispensed from a
3 dyed diesel fuel dispensing facility that has withdrawal
4 facilities that are not readily accessible to and are not
5 capable of dispensing dyed diesel fuel into the fuel supply
6 tank of a motor vehicle.

7 A specific notation is required on the invoice or sales
8 slip covering such sales, and any supporting documentation
9 that may be required by the Department must be obtained by
10 the supplier. The supplier shall obtain and keep the
11 supporting documentation in such form as the Department may
12 require by rule.

13 For purposes of this item 5, a dyed diesel fuel
14 dispensing facility is considered to have withdrawal
15 facilities that are "not readily accessible to and not
16 capable of dispensing dyed diesel fuel into the fuel supply
17 tank of a motor vehicle" only if the dyed diesel fuel is
18 delivered from: (i) a dispenser hose that is short enough
19 so that it will not reach the fuel supply tank of a motor
20 vehicle or (ii) a dispenser that is enclosed by a fence or
21 other physical barrier so that a vehicle cannot pull
22 alongside the dispenser to permit fueling.

23 6. (Blank).

24 7. When a sale of special fuel is made to a person
25 where delivery is made outside of this State.

26 All special fuel sold or used for non-highway purposes must

1 have a dye added in accordance with Section 4d of this Law.

2 All suits or other proceedings brought for the purpose of
3 recovering any taxes, interest or penalties due the State of
4 Illinois under this Act may be maintained in the name of the
5 Department.

6 (Source: P.A. 96-1384, eff. 7-29-10.)

7 Section 35-45. The Telecommunications Excise Tax Act is
8 amended by changing Section 6 as follows:

9 (35 ILCS 630/6) (from Ch. 120, par. 2006)

10 Sec. 6. Except as provided hereinafter in this Section, on
11 or before the last day of each month, each retailer maintaining
12 a place of business in this State shall make a return to the
13 Department for the preceding calendar month, stating:

14 1. His name;

15 2. The address of his principal place of business, or
16 the address of the principal place of business (if that is
17 a different address) from which he engages in the business
18 of transmitting telecommunications;

19 3. Total amount of gross charges billed by him during
20 the preceding calendar month for providing
21 telecommunications during such calendar month;

22 4. Total amount received by him during the preceding
23 calendar month on credit extended;

24 5. Deductions allowed by law;

1 6. Gross charges which were billed by him during the
2 preceding calendar month and upon the basis of which the
3 tax is imposed;

4 7. Amount of tax (computed upon Item 6);

5 8. Such other reasonable information as the Department
6 may require.

7 Any taxpayer required to make payments under this Section
8 may make the payments by electronic funds transfer. The
9 Department shall adopt rules necessary to effectuate a program
10 of electronic funds transfer. Any taxpayer who has average
11 monthly tax billings due to the Department under this Act and
12 the Simplified Municipal Telecommunications Tax Act that
13 exceed \$1,000 shall make all payments by electronic funds
14 transfer as required by rules of the Department and shall file
15 the return required by this Section by electronic means as
16 required by rules of the Department.

17 If the retailer's average monthly tax billings due to the
18 Department under this Act and the Simplified Municipal
19 Telecommunications Tax Act do not exceed \$1,000, the Department
20 may authorize his returns to be filed on a quarter annual
21 basis, with the return for January, February and March of a
22 given year being due by April 30 of such year; with the return
23 for April, May and June of a given year being due by July 31st
24 of such year; with the return for July, August and September of
25 a given year being due by October 31st of such year; and with
26 the return of October, November and December of a given year

1 being due by January 31st of the following year.

2 If the retailer is otherwise required to file a monthly or
3 quarterly return and if the retailer's average monthly tax
4 billings due to the Department under this Act and the
5 Simplified Municipal Telecommunications Tax Act do not exceed
6 \$400, the Department may authorize his or her return to be
7 filed on an annual basis, with the return for a given year
8 being due by January 31st of the following year.

9 Notwithstanding any other provision of this Article
10 containing the time within which a retailer may file his
11 return, in the case of any retailer who ceases to engage in a
12 kind of business which makes him responsible for filing returns
13 under this Article, such retailer shall file a final return
14 under this Article with the Department not more than one month
15 after discontinuing such business.

16 In making such return, the retailer shall determine the
17 value of any consideration other than money received by him and
18 he shall include such value in his return. Such determination
19 shall be subject to review and revision by the Department in
20 the manner hereinafter provided for the correction of returns.

21 Each retailer whose average monthly liability to the
22 Department under this Article and the Simplified Municipal
23 Telecommunications Tax Act was \$25,000 or more during the
24 preceding calendar year, excluding the month of highest
25 liability and the month of lowest liability in such calendar
26 year, and who is not operated by a unit of local government,

1 shall make estimated payments to the Department on or before
2 the 7th, 15th, 22nd and last day of the month during which tax
3 collection liability to the Department is incurred in an amount
4 not less than the lower of either 22.5% of the retailer's
5 actual tax collections for the month or 25% of the retailer's
6 actual tax collections for the same calendar month of the
7 preceding year. The amount of such quarter monthly payments
8 shall be credited against the final liability of the retailer's
9 return for that month. Any outstanding credit, approved by the
10 Department, arising from the retailer's overpayment of its
11 final liability for any month may be applied to reduce the
12 amount of any subsequent quarter monthly payment or credited
13 against the final liability of the retailer's return for any
14 subsequent month. If any quarter monthly payment is not paid at
15 the time or in the amount required by this Section, the
16 retailer shall be liable for penalty and interest on the
17 difference between the minimum amount due as a payment and the
18 amount of such payment actually and timely paid, except insofar
19 as the retailer has previously made payments for that month to
20 the Department in excess of the minimum payments previously
21 due.

22 The retailer making the return herein provided for shall,
23 at the time of making such return, pay to the Department the
24 amount of tax herein imposed, less a discount of 1% which is
25 allowed to reimburse the retailer for the expenses incurred in
26 keeping records, billing the customer, preparing and filing

1 returns, remitting the tax, and supplying data to the
2 Department upon request. No discount may be claimed by a
3 retailer on returns not timely filed and for taxes not timely
4 remitted. On and after January 1, 2017, in no event shall the
5 discount allowed to any retailer be more than \$1,500 in any
6 calendar year.

7 On and after the effective date of this Article of 1985, of
8 the moneys received by the Department of Revenue pursuant to
9 this Article, other than moneys received pursuant to the
10 additional taxes imposed by Public Act 90-548:

11 (1) \$1,000,000 shall be paid each month into the Common
12 School Fund;

13 (2) beginning on the first day of the first calendar
14 month to occur on or after the effective date of this
15 amendatory Act of the 98th General Assembly, an amount
16 equal to 1/12 of 5% of the cash receipts collected during
17 the preceding fiscal year by the Audit Bureau of the
18 Department from the tax under this Act and the Simplified
19 Municipal Telecommunications Tax Act shall be paid each
20 month into the Tax Compliance and Administration Fund;
21 those moneys shall be used, subject to appropriation, to
22 fund additional auditors and compliance personnel at the
23 Department of Revenue; and

24 (3) the remainder shall be deposited into the General
25 Revenue Fund.

26 On and after February 1, 1998, however, of the moneys

1 received by the Department of Revenue pursuant to the
2 additional taxes imposed by Public Act 90-548, one-half shall
3 be deposited into the School Infrastructure Fund and one-half
4 shall be deposited into the Common School Fund. On and after
5 the effective date of this amendatory Act of the 91st General
6 Assembly, if in any fiscal year the total of the moneys
7 deposited into the School Infrastructure Fund under this Act is
8 less than the total of the moneys deposited into that Fund from
9 the additional taxes imposed by Public Act 90-548 during fiscal
10 year 1999, then, as soon as possible after the close of the
11 fiscal year, the Comptroller shall order transferred and the
12 Treasurer shall transfer from the General Revenue Fund to the
13 School Infrastructure Fund an amount equal to the difference
14 between the fiscal year total deposits and the total amount
15 deposited into the Fund in fiscal year 1999.

16 (Source: P.A. 98-1098, eff. 8-26-14.)

17 Section 35-50. The Liquor Control Act of 1934 is amended by
18 changing Section 8-2 as follows:

19 (235 ILCS 5/8-2) (from Ch. 43, par. 159)

20 Sec. 8-2. It is the duty of each manufacturer with respect
21 to alcoholic liquor produced or imported by such manufacturer,
22 or purchased tax-free by such manufacturer from another
23 manufacturer or importing distributor, and of each importing
24 distributor as to alcoholic liquor purchased by such importing

1 distributor from foreign importers or from anyone from any
2 point in the United States outside of this State or purchased
3 tax-free from another manufacturer or importing distributor,
4 to pay the tax imposed by Section 8-1 to the Department of
5 Revenue on or before the 15th day of the calendar month
6 following the calendar month in which such alcoholic liquor is
7 sold or used by such manufacturer or by such importing
8 distributor other than in an authorized tax-free manner or to
9 pay that tax electronically as provided in this Section.

10 Each manufacturer and each importing distributor shall
11 make payment under one of the following methods: (1) on or
12 before the 15th day of each calendar month, file in person or
13 by United States first-class mail, postage pre-paid, with the
14 Department of Revenue, on forms prescribed and furnished by the
15 Department, a report in writing in such form as may be required
16 by the Department in order to compute, and assure the accuracy
17 of, the tax due on all taxable sales and uses of alcoholic
18 liquor occurring during the preceding month. Payment of the tax
19 in the amount disclosed by the report shall accompany the
20 report or, (2) on or before the 15th day of each calendar
21 month, electronically file with the Department of Revenue, on
22 forms prescribed and furnished by the Department, an electronic
23 report in such form as may be required by the Department in
24 order to compute, and assure the accuracy of, the tax due on
25 all taxable sales and uses of alcoholic liquor occurring during
26 the preceding month. An electronic payment of the tax in the

1 amount disclosed by the report shall accompany the report. A
2 manufacturer or distributor who files an electronic report and
3 electronically pays the tax imposed pursuant to Section 8-1 to
4 the Department of Revenue on or before the 15th day of the
5 calendar month following the calendar month in which such
6 alcoholic liquor is sold or used by that manufacturer or
7 importing distributor other than in an authorized tax-free
8 manner shall pay to the Department the amount of the tax
9 imposed pursuant to Section 8-1, less a discount which is
10 allowed to reimburse the manufacturer or importing distributor
11 for the expenses incurred in keeping and maintaining records,
12 preparing and filing the electronic returns, remitting the tax,
13 and supplying data to the Department upon request.

14 The discount shall be in an amount as follows:

15 (1) For original returns due on or after January 1,
16 2003 through September 30, 2003, the discount shall be
17 1.75% or \$1,250 per return, whichever is less;

18 (2) For original returns due on or after October 1,
19 2003 through September 30, 2004, the discount shall be 2%
20 or \$3,000 per return, whichever is less; ~~and~~

21 (3) For original returns due on or after October 1,
22 2004 through December 31, 2016, the discount shall be 2% or
23 \$2,000 per return, whichever is less; and -

24 (4) For original returns due on and after January 1,
25 2017, the sum of (i) 1.75% of the first \$1,000 collected
26 during the calendar year and (ii) 1% of the amount of

1 proceeds collected during the calendar year that exceeds
2 \$1,000; however, on and after January 1, 2017, in no event
3 shall the discount allowed to any manufacturer or
4 distributor be more than \$1,500 in any calendar year.

5 The Department may, if it deems it necessary in order to
6 insure the payment of the tax imposed by this Article, require
7 returns to be made more frequently than and covering periods of
8 less than a month. Such return shall contain such further
9 information as the Department may reasonably require.

10 It shall be presumed that all alcoholic liquors acquired or
11 made by any importing distributor or manufacturer have been
12 sold or used by him in this State and are the basis for the tax
13 imposed by this Article unless proven, to the satisfaction of
14 the Department, that such alcoholic liquors are (1) still in
15 the possession of such importing distributor or manufacturer,
16 or (2) prior to the termination of possession have been lost by
17 theft or through unintentional destruction, or (3) that such
18 alcoholic liquors are otherwise exempt from taxation under this
19 Act.

20 The Department may require any foreign importer to file
21 monthly information returns, by the 15th day of the month
22 following the month which any such return covers, if the
23 Department determines this to be necessary to the proper
24 performance of the Department's functions and duties under this
25 Act. Such return shall contain such information as the
26 Department may reasonably require.

1 Every manufacturer and importing distributor shall also
2 file, with the Department, a bond in an amount not less than
3 \$1,000 and not to exceed \$100,000 on a form to be approved by,
4 and with a surety or sureties satisfactory to, the Department.
5 Such bond shall be conditioned upon the manufacturer or
6 importing distributor paying to the Department all monies
7 becoming due from such manufacturer or importing distributor
8 under this Article. The Department shall fix the penalty of
9 such bond in each case, taking into consideration the amount of
10 alcoholic liquor expected to be sold and used by such
11 manufacturer or importing distributor, and the penalty fixed by
12 the Department shall be sufficient, in the Department's
13 opinion, to protect the State of Illinois against failure to
14 pay any amount due under this Article, but the amount of the
15 penalty fixed by the Department shall not exceed twice the
16 amount of tax liability of a monthly return, nor shall the
17 amount of such penalty be less than \$1,000. The Department
18 shall notify the Commission of the Department's approval or
19 disapproval of any such manufacturer's or importing
20 distributor's bond, or of the termination or cancellation of
21 any such bond, or of the Department's direction to a
22 manufacturer or importing distributor that he must file
23 additional bond in order to comply with this Section. The
24 Commission shall not issue a license to any applicant for a
25 manufacturer's or importing distributor's license unless the
26 Commission has received a notification from the Department

1 showing that such applicant has filed a satisfactory bond with
2 the Department hereunder and that such bond has been approved
3 by the Department. Failure by any licensed manufacturer or
4 importing distributor to keep a satisfactory bond in effect
5 with the Department or to furnish additional bond to the
6 Department, when required hereunder by the Department to do so,
7 shall be grounds for the revocation or suspension of such
8 manufacturer's or importing distributor's license by the
9 Commission. If a manufacturer or importing distributor fails to
10 pay any amount due under this Article, his bond with the
11 Department shall be deemed forfeited, and the Department may
12 institute a suit in its own name on such bond.

13 After notice and opportunity for a hearing the State
14 Commission may revoke or suspend the license of any
15 manufacturer or importing distributor who fails to comply with
16 the provisions of this Section. Notice of such hearing and the
17 time and place thereof shall be in writing and shall contain a
18 statement of the charges against the licensee. Such notice may
19 be given by United States registered or certified mail with
20 return receipt requested, addressed to the person concerned at
21 his last known address and shall be given not less than 7 days
22 prior to the date fixed for the hearing. An order revoking or
23 suspending a license under the provisions of this Section may
24 be reviewed in the manner provided in Section 7-10 of this Act.
25 No new license shall be granted to a person whose license has
26 been revoked for a violation of this Section or, in case of

1 suspension, shall such suspension be terminated until he has
2 paid to the Department all taxes and penalties which he owes
3 the State under the provisions of this Act.

4 Every manufacturer or importing distributor who has, as
5 verified by the Department, continuously complied with the
6 conditions of the bond under this Act for a period of 2 years
7 shall be considered to be a prior continuous compliance
8 taxpayer. In determining the consecutive period of time for
9 qualification as a prior continuous compliance taxpayer, any
10 consecutive period of time of qualifying compliance
11 immediately prior to the effective date of this amendatory Act
12 of 1987 shall be credited to any manufacturer or importing
13 distributor.

14 A manufacturer or importing distributor that is a prior
15 continuous compliance taxpayer under this Section and becomes a
16 successor as the result of an acquisition, merger, or
17 consolidation of a manufacturer or importing distributor shall
18 be deemed to be a prior continuous compliance taxpayer with
19 respect to the acquired, merged, or consolidated entity.

20 Every prior continuous compliance taxpayer shall be exempt
21 from the bond requirements of this Act until the Department has
22 determined the taxpayer to be delinquent in the filing of any
23 return or deficient in the payment of any tax under this Act.
24 Any taxpayer who fails to pay an admitted or established
25 liability under this Act may also be required to post bond or
26 other acceptable security with the Department guaranteeing the

1 payment of such admitted or established liability.

2 The Department shall discharge any surety and shall release
3 and return any bond or security deposit assigned, pledged or
4 otherwise provided to it by a taxpayer under this Section
5 within 30 days after: (1) such taxpayer becomes a prior
6 continuous compliance taxpayer; or (2) such taxpayer has ceased
7 to collect receipts on which he is required to remit tax to the
8 Department, has filed a final tax return, and has paid to the
9 Department an amount sufficient to discharge his remaining tax
10 liability as determined by the Department under this Act.

11 (Source: P.A. 95-769, eff. 7-29-08.)

12 ARTICLE 40. FILM PRODUCTION SERVICES TAX CREDIT ACT

13 Section 40-5. The Film Production Services Tax Credit Act
14 of 2008 is amended by changing Section 40 as follows:

15 (35 ILCS 16/40)

16 Sec. 40. Amount and duration of the credit. The amount of
17 the credit awarded under this Act is based on the amount of the
18 Illinois labor expenditure and Illinois production spending
19 approved by the Department for the production as set forth
20 under Section 10. The duration of the credit may not exceed one
21 taxable year. Beginning on July 1, 2017, the maximum aggregate
22 amount of credits that may be awarded under this Act for all
23 taxpayers in any State fiscal year may not exceed \$20,000,000.

1 (Source: P.A. 95-720, eff. 5-27-08.)

2 ARTICLE 45. HOTEL OPERATORS' OCCUPATION TAX ACT

3 Section 45-5. The Hotel Operators' Occupation Tax Act is
4 amended by changing Section 2 as follows:

5 (35 ILCS 145/2) (from Ch. 120, par. 481b.32)

6 Sec. 2. As used in this Act, unless the context otherwise
7 requires:

8 ~~(1)~~ "Hotel" means any building or buildings in which
9 the public may, for a consideration, obtain living
10 quarters, sleeping or housekeeping accommodations. The
11 term includes inns, motels, tourist homes or courts,
12 lodging houses, rooming houses and apartment houses.

13 ~~(2)~~ "Operator" means any person operating a hotel,
14 including, but not limited to, an online travel company
15 that sells hotel rooms to the general public.

16 ~~(3)~~ "Occupancy" means the use or possession, or the
17 right to the use or possession, of any room or rooms in a
18 hotel for any purpose, or the right to the use or
19 possession of the furnishings or to the services and
20 accommodations accompanying the use and possession of the
21 room or rooms.

22 "Online travel company" means a retailer that
23 purchases hotel rooms in the State at a wholesale price and

1 (35 ILCS 405/2) (from Ch. 120, par. 405A-2)

2 Sec. 2. Definitions.

3 "Federal estate tax" means the tax due to the United States
4 with respect to a taxable transfer under Chapter 11 of the
5 Internal Revenue Code.

6 "Federal generation-skipping transfer tax" means the tax
7 due to the United States with respect to a taxable transfer
8 under Chapter 13 of the Internal Revenue Code.

9 "Federal return" means the federal estate tax return with
10 respect to the federal estate tax and means the federal
11 generation-skipping transfer tax return with respect to the
12 federal generation-skipping transfer tax.

13 "Federal transfer tax" means the federal estate tax or the
14 federal generation-skipping transfer tax.

15 "Illinois estate tax" means the tax due to this State with
16 respect to a taxable transfer.

17 "Illinois generation-skipping transfer tax" means the tax
18 due to this State with respect to a taxable transfer that gives
19 rise to a federal generation-skipping transfer tax.

20 "Illinois transfer tax" means the Illinois estate tax or
21 the Illinois generation-skipping transfer tax.

22 "Internal Revenue Code" means, unless otherwise provided,
23 the Internal Revenue Code of 1986, as amended from time to
24 time.

25 "Non-resident trust" means a trust that is not a resident
26 of this State for purposes of the Illinois Income Tax Act, as

1 amended from time to time.

2 "Person" means and includes any individual, trust, estate,
3 partnership, association, company or corporation.

4 "Qualified heir" means a qualified heir as defined in
5 Section 2032A(e) (1) of the Internal Revenue Code.

6 "Resident trust" means a trust that is a resident of this
7 State for purposes of the Illinois Income Tax Act, as amended
8 from time to time.

9 "State" means any state, territory or possession of the
10 United States and the District of Columbia.

11 "State tax credit" means:

12 (a) For persons dying on or after January 1, 2003 and
13 through December 31, 2005, an amount equal to the full credit
14 calculable under Section 2011 or Section 2604 of the Internal
15 Revenue Code as the credit would have been computed and allowed
16 under the Internal Revenue Code as in effect on December 31,
17 2001, without the reduction in the State Death Tax Credit as
18 provided in Section 2011(b) (2) or the termination of the State
19 Death Tax Credit as provided in Section 2011(f) as enacted by
20 the Economic Growth and Tax Relief Reconciliation Act of 2001,
21 but recognizing the increased applicable exclusion amount
22 through December 31, 2005.

23 (b) For persons dying after December 31, 2005 and on or
24 before December 31, 2009, and for persons dying after December
25 31, 2010, an amount equal to the full credit calculable under
26 Section 2011 or 2604 of the Internal Revenue Code as the credit

1 would have been computed and allowed under the Internal Revenue
2 Code as in effect on December 31, 2001, without the reduction
3 in the State Death Tax Credit as provided in Section 2011(b) (2)
4 or the termination of the State Death Tax Credit as provided in
5 Section 2011(f) as enacted by the Economic Growth and Tax
6 Relief Reconciliation Act of 2001, but recognizing the
7 exclusion amount of only (i) \$2,000,000 for persons dying prior
8 to January 1, 2012 or on and after January 1, 2017, (ii)
9 \$3,500,000 for persons dying on or after January 1, 2012 and
10 prior to January 1, 2013, and (iii) \$4,000,000 for persons
11 dying on or after January 1, 2013 and prior to January 1, 2017,
12 and with reduction to the adjusted taxable estate for any
13 qualified terminable interest property election as defined in
14 subsection (b-1) of this Section.

15 (b-1) The person required to file the Illinois return may
16 elect on a timely filed Illinois return a marital deduction for
17 qualified terminable interest property under Section
18 2056(b) (7) of the Internal Revenue Code for purposes of the
19 Illinois estate tax that is separate and independent of any
20 qualified terminable interest property election for federal
21 estate tax purposes. For purposes of the Illinois estate tax,
22 the inclusion of property in the gross estate of a surviving
23 spouse is the same as under Section 2044 of the Internal
24 Revenue Code.

25 In the case of any trust for which a State or federal
26 qualified terminable interest property election is made, the

1 trustee may not retain non-income producing assets for more
2 than a reasonable amount of time without the consent of the
3 surviving spouse.

4 "Taxable transfer" means an event that gives rise to a
5 state tax credit, including any credit as a result of the
6 imposition of an additional tax under Section 2032A(c) of the
7 Internal Revenue Code.

8 "Transferee" means a transferee within the meaning of
9 Section 2603(a)(1) and Section 6901(h) of the Internal Revenue
10 Code.

11 "Transferred property" means:

12 (1) With respect to a taxable transfer occurring at the
13 death of an individual, the deceased individual's gross
14 estate as defined in Section 2031 of the Internal Revenue
15 Code.

16 (2) With respect to a taxable transfer occurring as a
17 result of a taxable termination as defined in Section
18 2612(a) of the Internal Revenue Code, the taxable amount
19 determined under Section 2622(a) of the Internal Revenue
20 Code.

21 (3) With respect to a taxable transfer occurring as a
22 result of a taxable distribution as defined in Section
23 2612(b) of the Internal Revenue Code, the taxable amount
24 determined under Section 2621(a) of the Internal Revenue
25 Code.

26 (4) With respect to an event which causes the

