



## 99TH GENERAL ASSEMBLY

### State of Illinois

#### 2015 and 2016

##### HB5716

by Rep. Michael J. Zalewski

#### SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	
35 ILCS 105/3-30	from Ch. 120, par. 439.3-30
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-5	
35 ILCS 110/3-30	from Ch. 120, par. 439.33-30
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-5	
35 ILCS 115/3-30	from Ch. 120, par. 439.103-30
35 ILCS 120/2-5	
35 ILCS 120/2-30	from Ch. 120, par. 441-30
35 ILCS 120/2-45	from Ch. 120, par. 441-45

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that the exemption for graphic arts machinery and equipment applies for all periods on and after September 1, 2004. Provides that the exemption includes production related tangible personal property beginning on July 1, 2014. Provides that, beginning on July 1, 2014, the manufacturing and assembly exemption also includes production related tangible personal property. Makes changes to the definition of "production related tangible personal property". Provides that the graphic arts exemption and the manufacturing and assembly exemption are each exempt from the Acts' automatic sunset provisions. Effective immediately.

LRB099 20459 HLH 45092 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Use Tax Act is amended by changing Sections  
5 3-5, 3-30, and 3-50 as follows:

6 (35 ILCS 105/3-5)

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

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

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

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

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

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

25 (5) Until July 1, 2003, a passenger car that is a  
26 replacement vehicle to the extent that the purchase price of

1 the car is subject to the Replacement Vehicle Tax.

2 (6) Until July 1, 2003 and beginning again on 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,  
6 certified by the purchaser to be used primarily for graphic  
7 arts production, and including machinery and equipment  
8 purchased for lease. Equipment includes chemicals or chemicals  
9 acting as catalysts but only if the chemicals or chemicals  
10 acting as catalysts effect a direct and immediate change upon a  
11 graphic arts product. The exemption under this paragraph (6)  
12 also includes production related tangible personal property,  
13 as defined in Section 3-30, purchased on or after July 1, 2014.  
14 The exemption under this paragraph (6) is exempt from the  
15 provisions of Section 3-90.

16 (7) Farm chemicals.

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

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

24 (10) A motor vehicle that is used for automobile renting,  
25 as defined in the Automobile Renting Occupation and Use Tax  
26 Act.

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

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

1 such equipment.

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

10 (12) Until June 30, 2013, fuel and petroleum products sold  
11 to or used by an air common carrier, certified by the carrier  
12 to be used for consumption, shipment, or storage in the conduct  
13 of its business as an air common carrier, for a flight destined  
14 for or returning from a location or locations outside the  
15 United States without regard to previous or subsequent domestic  
16 stopovers.

17 Beginning July 1, 2013, fuel and petroleum products sold to  
18 or used by an air carrier, certified by the carrier to be used  
19 for consumption, shipment, or storage in the conduct of its  
20 business as an air common carrier, for a flight that (i) is  
21 engaged in foreign trade or is engaged in trade between the  
22 United States and any of its possessions and (ii) transports at  
23 least one individual or package for hire from the city of  
24 origination to the city of final destination on the same  
25 aircraft, without regard to a change in the flight number of  
26 that aircraft.

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

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

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

23           (16) Coal and aggregate exploration, mining, off-highway  
24 hauling, processing, maintenance, and reclamation equipment,  
25 including replacement parts and equipment, and including  
26 equipment purchased for lease, but excluding motor vehicles

1 required to be registered under the Illinois Vehicle Code. The  
2 changes made to this Section by Public Act 97-767 apply on and  
3 after July 1, 2003, but no claim for credit or refund is  
4 allowed on or after August 16, 2013 (the effective date of  
5 Public Act 98-456) for such taxes paid during the period  
6 beginning July 1, 2003 and ending on August 16, 2013 (the  
7 effective date of Public Act 98-456).

8 (17) 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 (18) Manufacturing and assembling machinery and equipment  
15 used primarily in the process of manufacturing or assembling  
16 tangible personal property for wholesale or retail sale or  
17 lease, whether that sale or lease is made directly by the  
18 manufacturer or by some other person, whether the materials  
19 used in the process are owned by the manufacturer or some other  
20 person, or whether that sale or lease is made apart from or as  
21 an incident to the seller's engaging in the service occupation  
22 of producing machines, tools, dies, jigs, patterns, gauges, or  
23 other similar items of no commercial value on special order for  
24 a particular purchaser. The exemption provided by this  
25 paragraph (18) also includes production related tangible  
26 personal property, as defined in Section 3-50, purchased on or



1 after July 1, 2014. The exemption provided by this paragraph  
2 (18) does not include machinery and equipment used in (i) the  
3 generation of electricity for wholesale or retail sale; (ii)  
4 the generation or treatment of natural or artificial gas for  
5 wholesale or retail sale that is delivered to customers through  
6 pipes, 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 Public Act 98-583  
9 are declaratory of existing law as to the meaning and scope of  
10 this exemption. The exemption under this paragraph (6) is  
11 exempt from the provisions of Section 3-90.

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

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

19 (21) Horses, or interests in horses, registered with and  
20 meeting the requirements of any of the Arabian Horse Club  
21 Registry of America, Appaloosa Horse Club, American Quarter  
22 Horse Association, United States Trotting Association, or  
23 Jockey Club, as appropriate, used for purposes of breeding or  
24 racing for prizes. This item (21) is exempt from the provisions  
25 of Section 3-90, and the exemption provided for under this item  
26 (21) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after January 1,  
2 2008 for such taxes paid during the period beginning May 30,  
3 2000 and ending on January 1, 2008.

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

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

21           (24) Beginning with taxable years ending on or after  
22 December 31, 1995 and ending with taxable years ending on or  
23 before December 31, 2004, personal property that is donated for  
24 disaster relief to be used in a State or federally declared  
25 disaster area in Illinois or bordering Illinois by a  
26 manufacturer or retailer that is registered in this State to a

1 corporation, society, association, foundation, or institution  
2 that has been issued a sales tax exemption identification  
3 number by the Department that assists victims of the disaster  
4 who reside within the declared disaster area.

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

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

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

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

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

1           (29) Beginning January 1, 2000 and through December 31,  
2           2001, new or used automatic vending machines that prepare and  
3           serve hot food and beverages, including coffee, soup, and other  
4           items, and replacement parts for these machines. Beginning  
5           January 1, 2002 and through June 30, 2003, machines and parts  
6           for machines used in commercial, coin-operated amusement and  
7           vending business if a use or occupation tax is paid on the  
8           gross receipts derived from the use of the commercial,  
9           coin-operated amusement and vending machines. This paragraph  
10          is exempt from the provisions of Section 3-90.

11          (30) Beginning January 1, 2001 and through June 30, 2016,  
12          food for human consumption that is to be consumed off the  
13          premises where it is sold (other than alcoholic beverages, soft  
14          drinks, and food that has been prepared for immediate  
15          consumption) and prescription and nonprescription medicines,  
16          drugs, medical appliances, and insulin, urine testing  
17          materials, syringes, and needles used by diabetics, for human  
18          use, when purchased for use by a person receiving medical  
19          assistance under Article V of the Illinois Public Aid Code who  
20          resides in a licensed long-term care facility, as defined in  
21          the Nursing Home Care Act, or in a licensed facility as defined  
22          in the ID/DD Community Care Act, the MC/DD Act, or the  
23          Specialized Mental Health Rehabilitation Act of 2013.

24          (31) Beginning on the effective date of this amendatory Act  
25          of the 92nd General Assembly, computers and communications  
26          equipment utilized for any hospital purpose and equipment used

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

23 (32) Beginning on the effective date of this amendatory Act  
24 of the 92nd General Assembly, personal property purchased by a  
25 lessor who leases the property, under a lease of one year or  
26 longer executed or in effect at the time the lessor would

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

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



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

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

20 (35) Beginning January 1, 2010, materials, parts,  
21 equipment, components, and furnishings incorporated into or  
22 upon an aircraft as part of the modification, refurbishment,  
23 completion, replacement, repair, or maintenance of the  
24 aircraft. This exemption includes consumable supplies used in  
25 the modification, refurbishment, completion, replacement,  
26 repair, and maintenance of aircraft, but excludes any

1 materials, parts, equipment, components, and consumable  
2 supplies used in the modification, replacement, repair, and  
3 maintenance of aircraft engines or power plants, whether such  
4 engines or power plants are installed or uninstalled upon any  
5 such aircraft. "Consumable supplies" include, but are not  
6 limited to, adhesive, tape, sandpaper, general purpose  
7 lubricants, cleaning solution, latex gloves, and protective  
8 films. This exemption applies only to the use of qualifying  
9 tangible personal property by persons who modify, refurbish,  
10 complete, repair, replace, or maintain aircraft and who (i)  
11 hold an Air Agency Certificate and are empowered to operate an  
12 approved repair station by the Federal Aviation  
13 Administration, (ii) have a Class IV Rating, and (iii) conduct  
14 operations in accordance with Part 145 of the Federal Aviation  
15 Regulations. The exemption does not include aircraft operated  
16 by a commercial air carrier providing scheduled passenger air  
17 service pursuant to authority issued under Part 121 or Part 129  
18 of the Federal Aviation Regulations. The changes made to this  
19 paragraph (35) by Public Act 98-534 are declarative of existing  
20 law.

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

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

9 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
10 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
11 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
12 7-29-15.)

13 (35 ILCS 105/3-30) (from Ch. 120, par. 439.3-30)

14 Sec. 3-30. Graphic arts production. For the purposes of  
15 this Act, "graphic arts production" means the production of  
16 tangible personal property for wholesale or retail sale or  
17 lease by means of printing, including ink jet printing, by one  
18 or more of the processes described in Groups 323110 through  
19 323122 of Subsector 323, Groups 511110 through 511199 of  
20 Subsector 511, and Group 512230 of Subsector 512 of the North  
21 American Industry Classification System published by the U.S.  
22 Office of Management and Budget, 1997 edition. Graphic arts  
23 production does not include (i) the transfer of images onto  
24 paper or other tangible personal property by means of  
25 photocopying or (ii) final printed products in electronic or

1 audio form, including the production of software or  
2 audio-books. For purposes of this Section, persons engaged  
3 primarily in the business of printing or publishing newspapers  
4 or magazines that qualify as newsprint and ink, by one or more  
5 of the processes described in Groups 511110 through 511199 of  
6 subsector 511 of the North American Industry Classification  
7 System published by the U.S. Office of Management and Budget,  
8 1997 edition, are deemed to be engaged in graphic arts  
9 production.

10 For the purposes of the exemption provided in paragraph (6)  
11 of Section 3-5 of this Act, "production related tangible  
12 personal property" means all tangible personal property that is  
13 used or consumed by the purchaser in a graphic arts facility in  
14 which graphic arts production takes place and includes, without  
15 limitation, tangible personal property that is purchased for  
16 incorporation into real estate within a graphic arts production  
17 facility, supplies and consumables used in a graphic arts  
18 production facility including fuels, coolants, solvents, oils,  
19 lubricants, and adhesives, hand tools, protective apparel, and  
20 fire and safety equipment used or consumed within a  
21 manufacturing facility, and tangible personal property that is  
22 used or consumed in activities such as research and  
23 development, preproduction material handling, receiving,  
24 quality control, inventory control, storage, staging, and  
25 packaging for shipping and transportation purposes.  
26 "Production related tangible personal property" does not

1 include (i) tangible personal property that is used, within or  
2 without a graphic arts production facility, in sales,  
3 purchasing, accounting, fiscal management, marketing,  
4 personnel recruitment or selection, or landscaping or (ii)  
5 tangible personal property that is required to be titled or  
6 registered with a department, agency, or unit of federal,  
7 State, or local government.

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

9 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

10 Sec. 3-50. Manufacturing and assembly exemption. The  
11 manufacturing and assembling machinery and equipment exemption  
12 includes machinery and equipment that replaces machinery and  
13 equipment in an existing manufacturing facility as well as  
14 machinery and equipment that are for use in an expanded or new  
15 manufacturing facility. The machinery and equipment exemption  
16 also includes machinery and equipment used in the general  
17 maintenance or repair of exempt machinery and equipment or for  
18 in-house manufacture of exempt machinery and equipment. The  
19 machinery and equipment exemption does not include machinery  
20 and equipment used in (i) the generation of electricity for  
21 wholesale or retail sale; (ii) the generation or treatment of  
22 natural or artificial gas for wholesale or retail sale that is  
23 delivered to customers through pipes, pipelines, or mains; or  
24 (iii) the treatment of water for wholesale or retail sale that  
25 is delivered to customers through pipes, pipelines, or mains.

1 The provisions of this amendatory Act of the 98th General  
2 Assembly are declaratory of existing law as to the meaning and  
3 scope of this exemption. For the purposes of this exemption,  
4 terms have the following meanings:

5 (1) "Manufacturing process" means the production of an  
6 article of tangible personal property, whether the article  
7 is a finished product or an article for use in the process  
8 of manufacturing or assembling a different article of  
9 tangible personal property, by a procedure commonly  
10 regarded as manufacturing, processing, fabricating, or  
11 refining that changes some existing material into a  
12 material with a different form, use, or name. In relation  
13 to a recognized integrated business composed of a series of  
14 operations that collectively constitute manufacturing, or  
15 individually constitute manufacturing operations, the  
16 manufacturing process commences with the first operation  
17 or stage of production in the series and does not end until  
18 the completion of the final product in the last operation  
19 or stage of production in the series. For purposes of this  
20 exemption, photoprocessing is a manufacturing process of  
21 tangible personal property for wholesale or retail sale.

22 (2) "Assembling process" means the production of an  
23 article of tangible personal property, whether the article  
24 is a finished product or an article for use in the process  
25 of manufacturing or assembling a different article of  
26 tangible personal property, by the combination of existing

1 materials in a manner commonly regarded as assembling that  
2 results in an article or material of a different form, use,  
3 or name.

4 (3) "Machinery" means major mechanical machines or  
5 major components of those machines contributing to a  
6 manufacturing or assembling process.

7 (4) "Equipment" includes an independent device or tool  
8 separate from machinery but essential to an integrated  
9 manufacturing or assembly process; including computers  
10 used primarily in a manufacturer's computer assisted  
11 design, computer assisted manufacturing (CAD/CAM) system;  
12 any subunit or assembly comprising a component of any  
13 machinery or auxiliary, adjunct, or attachment parts of  
14 machinery, such as tools, dies, jigs, fixtures, patterns,  
15 and molds; and any parts that require periodic replacement  
16 in the course of normal operation; but does not include  
17 hand tools. Equipment includes chemicals or chemicals  
18 acting as catalysts but only if the chemicals or chemicals  
19 acting as catalysts effect a direct and immediate change  
20 upon a product being manufactured or assembled for  
21 wholesale or retail sale or lease.

22 (5) "Production related tangible personal property"  
23 means all tangible personal property that is used or  
24 consumed by the purchaser in a manufacturing facility in  
25 which a manufacturing process takes place and includes,  
26 without limitation, tangible personal property that is

1 purchased for incorporation into real estate within a  
2 manufacturing facility, supplies and consumables used in a  
3 manufacturing facility, including fuels, coolants,  
4 solvents, oils, lubricants, and adhesives, hand tools,  
5 protective apparel, and fire and safety equipment used or  
6 consumed within a manufacturing facility, and tangible  
7 personal property that is used or consumed in activities  
8 such as research and development, preproduction material  
9 handling, receiving, quality control, inventory control,  
10 storage, staging, and packaging for shipping and  
11 transportation purposes. "Production related tangible  
12 personal property" does not include (i) tangible personal  
13 property that is used, within or without a manufacturing  
14 facility, in sales, purchasing, accounting, fiscal  
15 management, marketing, personnel recruitment or selection,  
16 or landscaping or (ii) tangible personal property that is  
17 required to be titled or registered with a department,  
18 agency, or unit of federal, State, or local government.

19 The manufacturing and assembling machinery and equipment  
20 exemption includes production related tangible personal  
21 property that is purchased on or after July 1, 2007 and on or  
22 before June 30, 2008 and on and after July 1, 2014. The  
23 exemption for production related tangible personal property  
24 purchased on or after July 1, 2007 and on or before June 30,  
25 2008 is subject to both of the following limitations:

26 (1) The maximum amount of the exemption for any one



1 taxpayer may not exceed 5% of the purchase price of  
2 production related tangible personal property that is  
3 purchased on or after July 1, 2007 and on or before June  
4 30, 2008. A credit under Section 3-85 of this Act may not  
5 be earned by the purchase of production related tangible  
6 personal property for which an exemption is received under  
7 this Section.

8 (2) The maximum aggregate amount of the exemptions for  
9 production related tangible personal property purchased on  
10 or after July 1, 2007 and on or before June 30, 2008  
11 awarded under this Act and the Retailers' Occupation Tax  
12 Act to all taxpayers may not exceed \$10,000,000. If the  
13 claims for the exemption exceed \$10,000,000, then the  
14 Department shall reduce the amount of the exemption to each  
15 taxpayer on a pro rata basis.

16 The Department shall ~~may~~ adopt rules to implement and  
17 administer the exemption for production related tangible  
18 personal property.

19 The manufacturing and assembling machinery and equipment  
20 exemption includes the sale of materials to a purchaser who  
21 produces exempted types of machinery, equipment, or tools and  
22 who rents or leases that machinery, equipment, or tools to a  
23 manufacturer of tangible personal property. This exemption  
24 also includes the sale of materials to a purchaser who  
25 manufactures those materials into an exempted type of  
26 machinery, equipment, or tools that the purchaser uses himself

1 or herself in the manufacturing of tangible personal property.  
2 This exemption includes the sale of exempted types of machinery  
3 or equipment to a purchaser who is not the manufacturer, but  
4 who rents or leases the use of the property to a manufacturer.  
5 The purchaser of the machinery and equipment who has an active  
6 resale registration number shall furnish that number to the  
7 seller at the time of purchase. A user of the machinery,  
8 equipment, or tools without an active resale registration  
9 number shall prepare a certificate of exemption for each  
10 transaction stating facts establishing the exemption for that  
11 transaction, and that certificate shall be available to the  
12 Department for inspection or audit. The Department shall  
13 prescribe the form of the certificate. Informal rulings,  
14 opinions, or letters issued by the Department in response to an  
15 inquiry or request for an opinion from any person regarding the  
16 coverage and applicability of this exemption to specific  
17 devices shall be published, maintained as a public record, and  
18 made available for public inspection and copying. If the  
19 informal ruling, opinion, or letter contains trade secrets or  
20 other confidential information, where possible, the Department  
21 shall delete that information before publication. Whenever  
22 informal rulings, opinions, or letters contain a policy of  
23 general applicability, the Department shall formulate and  
24 adopt that policy as a rule in accordance with the Illinois  
25 Administrative Procedure Act.

26 (Source: P.A. 98-583, eff. 1-1-14.)

1           Section 10. The Service Use Tax Act is amended by changing  
2 Sections 2, 3-5, and 3-30 as follows:

3           (35 ILCS 110/2) (from Ch. 120, par. 439.32)

4           Sec. 2. Definitions.

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

18           "Purchased from a serviceman" means the acquisition of the  
19 ownership of, or title to, tangible personal property through a  
20 sale of service.

21           "Purchaser" means any person who, through a sale of  
22 service, acquires the ownership of, or title to, any tangible  
23 personal property.

24           "Cost price" means the consideration paid by the serviceman

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

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

22 "Department" means the Department of Revenue.

23 "Person" means any natural individual, firm, partnership,  
24 association, joint stock company, joint venture, public or  
25 private corporation, limited liability company, and any  
26 receiver, executor, trustee, guardian or other representative

1 appointed by order of any court.

2 "Sale of service" means any transaction except:

3 (1) a retail sale of tangible personal property taxable  
4 under the Retailers' Occupation Tax Act or under the Use  
5 Tax Act.

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

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

23 (4) a sale or transfer of tangible personal property as  
24 an incident to the rendering of service for interstate  
25 carriers for hire for use as rolling stock moving in  
26 interstate commerce or by lessors under a lease of one year

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

9 (4a) a sale or transfer of tangible personal property  
10 as an incident to the rendering of service for owners,  
11 lessors, or shippers of tangible personal property which is  
12 utilized by interstate carriers for hire for use as rolling  
13 stock moving in interstate commerce so long as so used by  
14 interstate carriers for hire, and equipment operated by a  
15 telecommunications provider, licensed as a common carrier  
16 by the Federal Communications Commission, which is  
17 permanently installed in or affixed to aircraft moving in  
18 interstate commerce.

19 (4a-5) on and after July 1, 2003 and through June 30,  
20 2004, a sale or transfer of a motor vehicle of the second  
21 division with a gross vehicle weight in excess of 8,000  
22 pounds as an incident to the rendering of service if that  
23 motor vehicle is subject to the commercial distribution fee  
24 imposed under Section 3-815.1 of the Illinois Vehicle Code.  
25 Beginning on July 1, 2004 and through June 30, 2005, the  
26 use in this State of motor vehicles of the second division:

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

14 (5) a sale or transfer of machinery and equipment used  
15 primarily in the process of the manufacturing or  
16 assembling, either in an existing, an expanded or a new  
17 manufacturing facility, of tangible personal property for  
18 wholesale or retail sale or lease, whether such sale or  
19 lease is made directly by the manufacturer or by some other  
20 person, whether the materials used in the process are owned  
21 by the manufacturer or some other person, or whether such  
22 sale or lease is made apart from or as an incident to the  
23 seller's engaging in a service occupation and the  
24 applicable tax is a Service Use Tax or Service Occupation  
25 Tax, rather than Use Tax or Retailers' Occupation Tax. The  
26 exemption provided by this paragraph (5) does not include

1 machinery and equipment used in (i) the generation of  
2 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  
5 through pipes, pipelines, or mains; or (iii) the treatment  
6 of water for wholesale or retail sale that is delivered to  
7 customers through pipes, pipelines, or mains. The  
8 provisions of this amendatory Act of the 98th General  
9 Assembly are declaratory of existing law as to the meaning  
10 and scope of this exemption. The exemption under this  
11 paragraph (5) is exempt from the provisions of Section  
12 3-75.

13 (5a) the repairing, reconditioning or remodeling, for  
14 a common carrier by rail, of tangible personal property  
15 which belongs to such carrier for hire, and as to which  
16 such carrier receives the physical possession of the  
17 repaired, reconditioned or remodeled item of tangible  
18 personal property in Illinois, and which such carrier  
19 transports, or shares with another common carrier in the  
20 transportation of such property, out of Illinois on a  
21 standard uniform bill of lading showing the person who  
22 repaired, reconditioned or remodeled the property to a  
23 destination outside Illinois, for use outside Illinois.

24 (5b) a sale or transfer of tangible personal property  
25 which is produced by the seller thereof on special order in  
26 such a way as to have made the applicable tax the Service



1 Occupation Tax or the Service Use Tax, rather than the  
2 Retailers' Occupation Tax or the Use Tax, for an interstate  
3 carrier by rail which receives the physical possession of  
4 such property in Illinois, and which transports such  
5 property, or shares with another common carrier in the  
6 transportation of such property, out of Illinois on a  
7 standard uniform bill of lading showing the seller of the  
8 property as the shipper or consignor of such property to a  
9 destination outside Illinois, for use outside Illinois.

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

18 (7) at the election of any serviceman not required to  
19 be otherwise registered as a retailer under Section 2a of  
20 the Retailers' Occupation Tax Act, made for each fiscal  
21 year sales of service in which the aggregate annual cost  
22 price of tangible personal property transferred as an  
23 incident to the sales of service is less than 35%, or 75%  
24 in the case of servicemen transferring prescription drugs  
25 or servicemen engaged in graphic arts production, of the  
26 aggregate annual total gross receipts from all sales of

1 service. The purchase of such tangible personal property by  
2 the serviceman shall be subject to tax under the Retailers'  
3 Occupation Tax Act and the Use Tax Act. However, if a  
4 primary serviceman who has made the election described in  
5 this paragraph subcontracts service work to a secondary  
6 serviceman who has also made the election described in this  
7 paragraph, the primary serviceman does not incur a Use Tax  
8 liability if the secondary serviceman (i) has paid or will  
9 pay Use Tax on his or her cost price of any tangible  
10 personal property transferred to the primary serviceman  
11 and (ii) certifies that fact in writing to the primary  
12 serviceman.

13 Tangible personal property transferred incident to the  
14 completion of a maintenance agreement is exempt from the tax  
15 imposed pursuant to this Act.

16 Exemption (5) also includes machinery and equipment used in  
17 the general maintenance or repair of such exempt machinery and  
18 equipment or for in-house manufacture of exempt machinery and  
19 equipment. Beginning on July 1, 2014, exemption (5) also  
20 includes production related tangible personal property, as  
21 defined in Section 3-50 of the Use Tax Act. The machinery and  
22 equipment exemption does not include machinery and equipment  
23 used in (i) the generation of electricity for wholesale or  
24 retail sale; (ii) the generation or treatment of natural or  
25 artificial gas for wholesale or retail sale that is delivered  
26 to customers through pipes, pipelines, or mains; or (iii) the

1 treatment of water for wholesale or retail sale that is  
2 delivered to customers through pipes, pipelines, or mains. The  
3 provisions of this amendatory Act of the 98th General Assembly  
4 are declaratory of existing law as to the meaning and scope of  
5 this exemption. For the purposes of exemption (5), each of  
6 these terms shall have the following meanings: (1)  
7 "manufacturing process" shall mean the production of any  
8 article of tangible personal property, whether such article is  
9 a finished product or an article for use in the process of  
10 manufacturing or assembling a different article of tangible  
11 personal property, by procedures commonly regarded as  
12 manufacturing, processing, fabricating, or refining which  
13 changes some existing material or materials into a material  
14 with a different form, use or name. In relation to a recognized  
15 integrated business composed of a series of operations which  
16 collectively constitute manufacturing, or individually  
17 constitute manufacturing operations, the manufacturing process  
18 shall be deemed to commence with the first operation or stage  
19 of production in the series, and shall not be deemed to end  
20 until the completion of the final product in the last operation  
21 or stage of production in the series; and further, for purposes  
22 of exemption (5), photoprocessing is deemed to be a  
23 manufacturing process of tangible personal property for  
24 wholesale or retail sale; (2) "assembling process" shall mean  
25 the production of any article of tangible personal property,  
26 whether such article is a finished product or an article for

1 use in the process of manufacturing or assembling a different  
2 article of tangible personal property, by the combination of  
3 existing materials in a manner commonly regarded as assembling  
4 which results in a material of a different form, use or name;  
5 (3) "machinery" shall mean major mechanical machines or major  
6 components of such machines contributing to a manufacturing or  
7 assembling process; and (4) "equipment" shall include any  
8 independent device or tool separate from any machinery but  
9 essential to an integrated manufacturing or assembly process;  
10 including computers used primarily in a manufacturer's  
11 computer assisted design, computer assisted manufacturing  
12 (CAD/CAM) system; or any subunit or assembly comprising a  
13 component of any machinery or auxiliary, adjunct or attachment  
14 parts of machinery, such as tools, dies, jigs, fixtures,  
15 patterns and molds; or any parts which require periodic  
16 replacement in the course of normal operation; but shall not  
17 include hand tools. Equipment includes chemicals or chemicals  
18 acting as catalysts but only if the chemicals or chemicals  
19 acting as catalysts effect a direct and immediate change upon a  
20 product being manufactured or assembled for wholesale or retail  
21 sale or lease. The purchaser of such machinery and equipment  
22 who has an active resale registration number shall furnish such  
23 number to the seller at the time of purchase. The user of such  
24 machinery and equipment and tools without an active resale  
25 registration number shall prepare a certificate of exemption  
26 for each transaction stating facts establishing the exemption

1 for that transaction, which certificate shall be available to  
2 the Department for inspection or audit. The Department shall  
3 prescribe the form of the certificate.

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

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

21 The purchase, employment and transfer of such tangible  
22 personal property as newsprint and ink for the primary purpose  
23 of conveying news (with or without other information) is not a  
24 purchase, use or sale of service or of tangible personal  
25 property within the meaning of this Act.

26 "Serviceman" means any person who is engaged in the

1 occupation of making sales of service.

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

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

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

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

18 1.1. having a contract with a person located in this  
19 State under which the person, for a commission or other  
20 consideration based on the sale of service by the  
21 serviceman, directly or indirectly refers potential  
22 customers to the serviceman by providing to the potential  
23 customers a promotional code or other mechanism that allows  
24 the serviceman to track purchases referred by such persons.  
25 Examples of mechanisms that allow the serviceman to track  
26 purchases referred by such persons include but are not

1 limited to the use of a link on the person's Internet  
2 website, promotional codes distributed through the  
3 person's hand-delivered or mailed material, and  
4 promotional codes distributed by the person through radio  
5 or other broadcast media. The provisions of this paragraph  
6 1.1 shall apply only if the cumulative gross receipts from  
7 sales of service by the serviceman to customers who are  
8 referred to the serviceman by all persons in this State  
9 under such contracts exceed \$10,000 during the preceding 4  
10 quarterly periods ending on the last day of March, June,  
11 September, and December; a serviceman meeting the  
12 requirements of this paragraph 1.1 shall be presumed to be  
13 maintaining a place of business in this State but may rebut  
14 this presumption by submitting proof that the referrals or  
15 other activities pursued within this State by such persons  
16 were not sufficient to meet the nexus standards of the  
17 United States Constitution during the preceding 4  
18 quarterly periods;

19 1.2. beginning July 1, 2011, having a contract with a  
20 person located in this State under which:

21 A. the serviceman sells the same or substantially  
22 similar line of services as the person located in this  
23 State and does so using an identical or substantially  
24 similar name, trade name, or trademark as the person  
25 located in this State; and

26 B. the serviceman provides a commission or other

1 consideration to the person located in this State based  
2 upon the sale of services by the serviceman.

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

9 2. soliciting orders for tangible personal property by  
10 means of a telecommunication or television shopping system  
11 (which utilizes toll free numbers) which is intended by the  
12 retailer to be broadcast by cable television or other means  
13 of broadcasting, to consumers located in this State;

14 3. pursuant to a contract with a broadcaster or  
15 publisher located in this State, soliciting orders for  
16 tangible personal property by means of advertising which is  
17 disseminated primarily to consumers located in this State  
18 and only secondarily to bordering jurisdictions;

19 4. soliciting orders for tangible personal property by  
20 mail if the solicitations are substantial and recurring and  
21 if the retailer benefits from any banking, financing, debt  
22 collection, telecommunication, or marketing activities  
23 occurring in this State or benefits from the location in  
24 this State of authorized installation, servicing, or  
25 repair facilities;

26 5. being owned or controlled by the same interests



1           which own or control any retailer engaging in business in  
2           the same or similar line of business in this State;

3           6. having a franchisee or licensee operating under its  
4           trade name if the franchisee or licensee is required to  
5           collect the tax under this Section;

6           7. pursuant to a contract with a cable television  
7           operator located in this State, soliciting orders for  
8           tangible personal property by means of advertising which is  
9           transmitted or distributed over a cable television system  
10          in this State; or

11          8. engaging in activities in Illinois, which  
12          activities in the state in which the supply business  
13          engaging in such activities is located would constitute  
14          maintaining a place of business in that state.

15          (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

16           (35 ILCS 110/3-5)

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

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

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

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

19           (4) 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           (5) Until July 1, 2003 and beginning again on September 1,  
24 2004 ~~through August 30, 2014~~, graphic arts machinery and  
25 equipment, including repair and replacement parts, both new and  
26 used, and including that manufactured on special order or

1 purchased for lease, certified by the purchaser to be used  
2 primarily for graphic arts production. Equipment includes  
3 chemicals or chemicals acting as catalysts but only if the  
4 chemicals or chemicals acting as catalysts effect a direct and  
5 immediate change upon a graphic arts product. The exemption  
6 provided by this paragraph (5) also includes production related  
7 tangible personal property, as defined in Section 3-30,  
8 purchased on or after July 1, 2014. The exemption provided by  
9 this paragraph (5) is exempt from the provisions of Section  
10 3-75.

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

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

1 plants shall be considered farm machinery and equipment under  
2 this item (7). Agricultural chemical tender tanks and dry boxes  
3 shall include units sold separately from a motor vehicle  
4 required to be licensed and units sold mounted on a motor  
5 vehicle required to be licensed if the selling price of the  
6 tender is separately stated.

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

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

23 (8) Until June 30, 2013, fuel and petroleum products sold  
24 to or used by an air common carrier, certified by the carrier  
25 to be used for consumption, shipment, or storage in the conduct  
26 of its business as an air common carrier, for a flight destined

1 for or returning from a location or locations outside the  
2 United States without regard to previous or subsequent domestic  
3 stopovers.

4 Beginning July 1, 2013, fuel and petroleum products sold to  
5 or used by an air carrier, certified by the carrier to be used  
6 for consumption, shipment, or storage in the conduct of its  
7 business as an air common carrier, for a flight that (i) is  
8 engaged in foreign trade or is engaged in trade between the  
9 United States and any of its possessions and (ii) transports at  
10 least one individual or package for hire from the city of  
11 origination to the city of final destination on the same  
12 aircraft, without regard to a change in the flight number of  
13 that aircraft.

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

23 (10) 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 (11) Proceeds from the sale of photoprocessing machinery  
7 and equipment, including repair and replacement parts, both new  
8 and used, including that manufactured on special order,  
9 certified by the purchaser to be used primarily for  
10 photoprocessing, and including photoprocessing machinery and  
11 equipment purchased for lease.

12 (12) Coal and aggregate exploration, mining, off-highway  
13 hauling, processing, maintenance, and reclamation equipment,  
14 including replacement parts and equipment, and including  
15 equipment purchased for lease, but excluding motor vehicles  
16 required to be registered under the Illinois Vehicle Code. The  
17 changes made to this Section by Public Act 97-767 apply on and  
18 after July 1, 2003, but no claim for credit or refund is  
19 allowed on or after August 16, 2013 (the effective date of  
20 Public Act 98-456) for such taxes paid during the period  
21 beginning July 1, 2003 and ending on August 16, 2013 (the  
22 effective date of Public Act 98-456).

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

25 (14) Horses, or interests in horses, registered with and  
26 meeting the requirements of any of the Arabian Horse Club

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

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

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

8 (16) 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 tax exemption identification number by the  
13 Department under Section 1g of the Retailers' Occupation Tax  
14 Act. If the property is leased in a manner that does not  
15 qualify for this exemption or is used in any other non-exempt  
16 manner, the lessor shall be liable for the tax imposed under  
17 this Act or the Use Tax Act, as the case may be, based on the  
18 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 Use Tax Act, as the case may be, if the tax has not been paid by  
23 the lessor. If a lessor improperly collects any such amount  
24 from the lessee, the lessee shall have a legal right to claim a  
25 refund of that amount from the lessor. If, however, that amount  
26 is not refunded to the lessee for any reason, the lessor is



1 liable to pay that amount to the Department.

2 (17) 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 (18) 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 (19) 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 3-75.

2 (20) 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 (21) 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 3-75.

8 (22) 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 3-75.

18 (23) 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 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 (24) 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 Use Tax Act, as the case may  
18 be, based on the fair market value of the property at the time  
19 the nonqualifying use occurs. No lessor shall collect or  
20 attempt to collect an amount (however designated) that purports  
21 to reimburse that lessor for the tax imposed by this Act or the  
22 Use Tax Act, as the case may be, if the tax has not been paid by  
23 the lessor. If a lessor improperly collects any such amount  
24 from the lessee, the lessee shall have a legal right to claim a  
25 refund of that amount from the lessor. If, however, that amount  
26 is not refunded to the lessee for any reason, the lessor is

1 liable to pay that amount to the Department. This paragraph is  
2 exempt from the provisions of Section 3-75.

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

25 (26) Beginning January 1, 2008, tangible personal property  
26 used in the construction or maintenance of a community water

1 supply, as defined under Section 3.145 of the Environmental  
2 Protection Act, that is operated by a not-for-profit  
3 corporation that holds a valid water supply permit issued under  
4 Title IV of the Environmental Protection Act. This paragraph is  
5 exempt from the provisions of Section 3-75.

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

1 accordance with Part 145 of the Federal Aviation Regulations.  
2 The exemption does not include aircraft operated by a  
3 commercial air carrier providing scheduled passenger air  
4 service pursuant to authority issued under Part 121 or Part 129  
5 of the Federal Aviation Regulations. The changes made to this  
6 paragraph (27) by Public Act 98-534 are declarative of existing  
7 law.

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

22 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
23 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
24 7-16-14; 99-180, eff. 7-29-15.)

25 (35 ILCS 110/3-30) (from Ch. 120, par. 439.33-30)

1           Sec. 3-30. Graphic arts production. For the purposes of  
2 this Act, "graphic arts production" means the production of  
3 tangible personal property for wholesale or retail sale or  
4 lease by means of printing, including ink jet printing, by one  
5 or more of the processes described in Groups 323110 through  
6 323122 of Subsector 323, Groups 511110 through 511199 of  
7 Subsector 511, and Group 512230 of Subsector 512 of the North  
8 American Industry Classification System published by the U.S.  
9 Office of Management and Budget, 1997 edition. Graphic arts  
10 production does not include (i) the transfer of images onto  
11 paper or other tangible personal property by means of  
12 photocopying or (ii) final printed products in electronic or  
13 audio form, including the production of software or  
14 audio-books. For purposes of this Section, persons engaged  
15 primarily in the business of printing or publishing newspapers  
16 or magazines that qualify as newsprint and ink, by one or more  
17 of the processes described in Groups 511110 through 511199 of  
18 subsector 511 of the North American Industry Classification  
19 System published by the U.S. Office of Management and Budget,  
20 1997 edition, are deemed to be engaged in graphic arts  
21 production.

22           For the purposes of the exemption provided in paragraph (5)  
23 of Section 3-5 of this Act, "production related tangible  
24 personal property" means all tangible personal property that is  
25 used or consumed by the purchaser in a graphic arts facility in  
26 which graphic arts production takes place and includes, without



1 limitation, tangible personal property that is purchased for  
2 incorporation into real estate within a graphic arts production  
3 facility, supplies and consumables used in a graphic arts  
4 production facility including fuels, coolants, solvents, oils,  
5 lubricants, and adhesives, hand tools, protective apparel, and  
6 fire and safety equipment used or consumed within a  
7 manufacturing facility, and tangible personal property that is  
8 used or consumed in activities such as research and  
9 development, preproduction material handling, receiving,  
10 quality control, inventory control, storage, staging, and  
11 packaging for shipping and transportation purposes.  
12 "Production related tangible personal property" does not  
13 include (i) tangible personal property that is used, within or  
14 without a graphic arts production facility, in sales,  
15 purchasing, accounting, fiscal management, marketing,  
16 personnel recruitment or selection, or landscaping or (ii)  
17 tangible personal property that is required to be titled or  
18 registered with a department, agency, or unit of federal,  
19 State, or local government.

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

21 Section 15. The Service Occupation Tax Act is amended by  
22 changing Sections 2, 3-5, and 3-30 as follows:

23 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

24 Sec. 2. "Transfer" means any transfer of the title to

1 property or of the ownership of property whether or not the  
2 transferor retains title as security for the payment of amounts  
3 due him from the transferee.

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

16 "Department" means the Department of Revenue.

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

22 "Sale of Service" means any transaction except:

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

26 (b) A sale of tangible personal property for the purpose of

1 resale made in compliance with Section 2c of the Retailers'  
2 Occupation Tax Act.

3 (c) Except as hereinafter provided, a sale or transfer of  
4 tangible personal property as an incident to the rendering of  
5 service for or by any governmental body or for or by any  
6 corporation, society, association, foundation or institution  
7 organized and operated exclusively for charitable, religious  
8 or educational purposes or any not-for-profit corporation,  
9 society, association, foundation, institution or organization  
10 which has no compensated officers or employees and which 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.

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

26 (d-1) A sale or transfer of tangible personal property as

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

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

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

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

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

26 (d-4) Until January 1, 1997, a sale, by a registered

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

7 (e) A sale or transfer of machinery and equipment used  
8 primarily in the process of the manufacturing or assembling,  
9 either in an existing, an expanded or a new manufacturing  
10 facility, of tangible personal property for wholesale or retail  
11 sale or lease, whether such sale or lease is made directly by  
12 the manufacturer or by some other person, whether the materials  
13 used in the process are owned by the manufacturer or some other  
14 person, or whether such sale or lease is made apart from or as  
15 an incident to the seller's engaging in a service occupation  
16 and the applicable tax is a Service Occupation Tax or Service  
17 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The  
18 exemption provided by this paragraph (e) does not include  
19 machinery and equipment used in (i) the generation of  
20 electricity for wholesale or retail sale; (ii) the generation  
21 or treatment of natural or artificial gas for wholesale or  
22 retail sale that is delivered to customers through pipes,  
23 pipelines, or mains; or (iii) the treatment of water for  
24 wholesale or retail sale that is delivered to customers through  
25 pipes, pipelines, or mains. The provisions of this amendatory  
26 Act of the 98th General Assembly are declaratory of existing

1 law as to the meaning and scope of this exemption. The  
2 exemption under this subsection (e) is exempt from the  
3 provisions of Section 3-55.

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

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

1 pay Use Tax on his or her cost price of any tangible personal  
2 property transferred to the primary serviceman and (ii)  
3 certifies that fact in writing to the primary serviceman.

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

7 Exemption (e) also includes machinery and equipment used in  
8 the general maintenance or repair of such exempt machinery and  
9 equipment or for in-house manufacture of exempt machinery and  
10 equipment. Beginning on July 1, 2014, exemption (e) also  
11 includes production related tangible personal property, as  
12 defined in Section 2-45 of the Retailers' Occupation Tax Act.

13 The machinery and equipment exemption 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. For the  
23 purposes of exemption (e), each of these terms shall have the  
24 following meanings: (1) "manufacturing process" shall mean the  
25 production of any article of tangible personal property,  
26 whether such article is a finished product or an article for



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

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

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

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

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

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

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

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

25 (Source: P.A. 98-583, eff. 1-1-14.)

1 (35 ILCS 115/3-5)

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

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

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

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

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

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

7 (5) Until July 1, 2003 and beginning again on September 1,  
8 2004 ~~through August 30, 2014~~, graphic arts machinery and  
9 equipment, including repair and replacement parts, both new and  
10 used, and including that manufactured on special order or  
11 purchased for lease, certified by the purchaser to be used  
12 primarily for graphic arts production. Equipment includes  
13 chemicals or chemicals acting as catalysts but only if the  
14 chemicals or chemicals acting as catalysts effect a direct and  
15 immediate change upon a graphic arts product. The exemption  
16 provided by this paragraph (5) also includes production related  
17 tangible personal property, as defined in Section 3-30,  
18 purchased on or after July 1, 2014. The exemption under this  
19 paragraph (5) is exempt from the provisions of Section 3-55.

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

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

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

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

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

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

6 (8) Until June 30, 2013, fuel and petroleum products sold  
7 to or used by an air common carrier, certified by the carrier  
8 to be used for consumption, shipment, or storage in the conduct  
9 of its business as an air common carrier, for a flight destined  
10 for or returning from a location or locations outside the  
11 United States without regard to previous or subsequent domestic  
12 stopovers.

13 Beginning July 1, 2013, fuel and petroleum products sold to  
14 or used by an air carrier, certified by the carrier to be used  
15 for consumption, shipment, or storage in the conduct of its  
16 business as an air common carrier, for a flight that (i) is  
17 engaged in foreign trade or is engaged in trade between the  
18 United States and any of its possessions and (ii) transports at  
19 least one individual or package for hire from the city of  
20 origination to the city of final destination on the same  
21 aircraft, without regard to a change in the flight number of  
22 that aircraft.

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

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

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

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

19 (12) Coal and aggregate exploration, mining, off-highway  
20 hauling, processing, maintenance, and reclamation equipment,  
21 including replacement parts and equipment, and including  
22 equipment purchased for lease, but excluding motor vehicles  
23 required to be registered under the Illinois Vehicle Code. The  
24 changes made to this Section by Public Act 97-767 apply on and  
25 after July 1, 2003, but no claim for credit or refund is  
26 allowed on or after August 16, 2013 (the effective date of



1 Public Act 98-456) for such taxes paid during the period  
2 beginning July 1, 2003 and ending on August 16, 2013 (the  
3 effective date of Public Act 98-456).

4 (13) Beginning January 1, 1992 and through June 30, 2016,  
5 food for human consumption that is to be consumed off the  
6 premises where it is sold (other than alcoholic beverages, soft  
7 drinks and food that has been prepared for immediate  
8 consumption) and prescription and non-prescription medicines,  
9 drugs, medical appliances, and insulin, urine testing  
10 materials, syringes, and needles used by diabetics, for human  
11 use, when purchased for use by a person receiving medical  
12 assistance under Article V of the Illinois Public Aid Code who  
13 resides in a licensed long-term care facility, as defined in  
14 the Nursing Home Care Act, or in a licensed facility as defined  
15 in the ID/DD Community Care Act, the MC/DD Act, or the  
16 Specialized Mental Health Rehabilitation Act of 2013.

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

19 (15) Horses, or interests in horses, registered with and  
20 meeting the requirements of any of the Arabian Horse Club  
21 Registry of America, Appaloosa Horse Club, American Quarter  
22 Horse Association, United States Trotting Association, or  
23 Jockey Club, as appropriate, used for purposes of breeding or  
24 racing for prizes. This item (15) is exempt from the provisions  
25 of Section 3-55, and the exemption provided for under this item  
26 (15) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after January 1,  
2 2008 (the effective date of Public Act 95-88) for such taxes  
3 paid during the period beginning May 30, 2000 and ending on  
4 January 1, 2008 (the effective date of Public Act 95-88).

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

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

19 (18) 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 (19) 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 (20) 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 3-55.

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

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

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

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

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

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

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

1           (26) Beginning on January 1, 2002 and through June 30,  
2 2016, tangible personal property purchased from an Illinois  
3 retailer by a taxpayer engaged in centralized purchasing  
4 activities in Illinois who will, upon receipt of the property  
5 in Illinois, temporarily store the property in Illinois (i) for  
6 the purpose of subsequently transporting it outside this State  
7 for use or consumption thereafter solely outside this State or  
8 (ii) for the purpose of being processed, fabricated, or  
9 manufactured into, attached to, or incorporated into other  
10 tangible personal property to be transported outside this State  
11 and thereafter used or consumed solely outside this State. The  
12 Director of Revenue shall, pursuant to rules adopted in  
13 accordance with the Illinois Administrative Procedure Act,  
14 issue a permit to any taxpayer in good standing with the  
15 Department who is eligible for the exemption under this  
16 paragraph (26). The permit issued under this paragraph (26)  
17 shall authorize the holder, to the extent and in the manner  
18 specified in the rules adopted under this Act, to purchase  
19 tangible personal property from a retailer exempt from the  
20 taxes imposed by this Act. Taxpayers shall maintain all  
21 necessary books and records to substantiate the use and  
22 consumption of all such tangible personal property outside of  
23 the State of Illinois.

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

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

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

19 (29) Beginning January 1, 2010, materials, parts,  
20 equipment, components, and furnishings incorporated into or  
21 upon an aircraft as part of the modification, refurbishment,  
22 completion, replacement, repair, or maintenance of the  
23 aircraft. This exemption includes consumable supplies used in  
24 the modification, refurbishment, completion, replacement,  
25 repair, and maintenance of aircraft, but excludes any  
26 materials, parts, equipment, components, and consumable

1 supplies used in the modification, replacement, repair, and  
2 maintenance of aircraft engines or power plants, whether such  
3 engines or power plants are installed or uninstalled upon any  
4 such aircraft. "Consumable supplies" include, but are not  
5 limited to, adhesive, tape, sandpaper, general purpose  
6 lubricants, cleaning solution, latex gloves, and protective  
7 films. This exemption applies only to the transfer of  
8 qualifying tangible personal property incident to the  
9 modification, refurbishment, completion, replacement, repair,  
10 or maintenance of an aircraft by persons who (i) hold an Air  
11 Agency Certificate and are empowered to operate an approved  
12 repair station by the Federal Aviation Administration, (ii)  
13 have a Class IV Rating, and (iii) conduct operations in  
14 accordance with Part 145 of the Federal Aviation Regulations.  
15 The exemption does not include aircraft operated by a  
16 commercial air carrier providing scheduled passenger air  
17 service pursuant to authority issued under Part 121 or Part 129  
18 of the Federal Aviation Regulations. The changes made to this  
19 paragraph (29) by Public Act 98-534 are declarative of existing  
20 law.

21 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
22 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
23 7-16-14; 99-180, eff. 7-29-15.)

24 (35 ILCS 115/3-30) (from Ch. 120, par. 439.103-30)

25 Sec. 3-30. Graphic arts production. For purposes of this



1 Act, "graphic arts production" means the production of tangible  
2 personal property for wholesale or retail sale or lease by  
3 means of printing, including ink jet printing, by one or more  
4 of the processes described in Groups 323110 through 323122 of  
5 Subsector 323, Groups 511110 through 511199 of Subsector 511,  
6 and Group 512230 of Subsector 512 of the North American  
7 Industry Classification System published by the U.S. Office of  
8 Management and Budget, 1997 edition. Graphic arts production  
9 does not include (i) the transfer of images onto paper or other  
10 tangible personal property by means of photocopying or (ii)  
11 final printed products in electronic or audio form, including  
12 the production of software or audio-books. For the purpose of  
13 this Section, persons engaged primarily in the business of  
14 printing or publishing newspapers or magazines that qualify as  
15 newsprint and ink, by one or more of the processes described in  
16 Groups 511110 through 511199 of subsector 511 of the North  
17 American Industry Classification System published by the U.S.  
18 Office of Management and Budget, 1997 edition, are deemed to be  
19 engaged in graphic arts production.

20 For the purposes of the exemption provided in paragraph (5)  
21 of Section 3-5 of this Act, "production related tangible  
22 personal property" means all tangible personal property that is  
23 used or consumed by the purchaser in a graphic arts facility in  
24 which graphic arts production takes place and includes, without  
25 limitation, tangible personal property that is purchased for  
26 incorporation into real estate within a graphic arts production

1 facility, supplies and consumables used in a graphic arts  
2 production facility including fuels, coolants, solvents, oils,  
3 lubricants, and adhesives, hand tools, protective apparel, and  
4 fire and safety equipment used or consumed within a  
5 manufacturing facility, and tangible personal property that is  
6 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 or  
12 without a graphic arts production facility, in sales,  
13 purchasing, accounting, fiscal management, marketing,  
14 personnel recruitment or selection, or landscaping or (ii)  
15 tangible 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 (Source: P.A. 96-116, eff. 7-31-09.)

19 Section 20. The Retailers' Occupation Tax Act is amended by  
20 changing Sections 2-5, 2-30, and 2-45 as follows:

21 (35 ILCS 120/2-5)

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

1 (1) Farm chemicals.

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

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

1 software, global positioning and mapping systems, and other  
2 such equipment.

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

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

17 (4) Until July 1, 2003 and beginning again September 1,  
18 2004 ~~through August 30, 2014~~, graphic arts machinery and  
19 equipment, including repair and replacement parts, both new and  
20 used, and including that manufactured on special order or  
21 purchased for lease, certified by the purchaser to be used  
22 primarily for graphic arts production. Equipment includes  
23 chemicals or chemicals acting as catalysts but only if the  
24 chemicals or chemicals acting as catalysts effect a direct and  
25 immediate change upon a graphic arts product. The exemption  
26 provided by this paragraph (4) also includes production related

1 tangible personal property, as defined in Section 2-30,  
2 purchased on or after July 1, 2014. The exemption under this  
3 paragraph (4) is exempt from the provisions of Section 2-70.

4 (5) A motor vehicle that is used for automobile renting, as  
5 defined in the Automobile Renting Occupation and Use Tax Act.  
6 This paragraph is exempt from the provisions of Section 2-70.

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

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

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

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

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

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

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

26 (12) Tangible personal property sold to interstate

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

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

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

8           (14) Machinery and equipment that will be used by the  
9 purchaser, or a lessee of the purchaser, primarily in the  
10 process of manufacturing or assembling tangible personal  
11 property for wholesale or retail sale or lease, whether the  
12 sale or lease is made directly by the manufacturer or by some  
13 other person, whether the materials used in the process are  
14 owned by the manufacturer or some other person, or whether the  
15 sale or lease is made apart from or as an incident to the  
16 seller's engaging in the service occupation of producing  
17 machines, tools, dies, jigs, patterns, gauges, or other similar  
18 items of no commercial value on special order for a particular  
19 purchaser. The exemption provided by this paragraph (14) also  
20 includes production related tangible personal property, as  
21 defined in Section 2-45, purchased on or after July 1, 2014.

22 The exemption provided by this paragraph (14) does not include  
23 machinery and equipment used in (i) the generation of  
24 electricity for wholesale or retail sale; (ii) the generation  
25 or treatment of natural or artificial gas for wholesale or  
26 retail sale that is delivered to customers through pipes,



1 pipelines, or mains; or (iii) the treatment of water for  
2 wholesale or retail sale that is delivered to customers through  
3 pipes, pipelines, or mains. The provisions of Public Act 98-583  
4 are declaratory of existing law as to the meaning and scope of  
5 this exemption. The exemption provided by this paragraph (14)  
6 is exempt from the provisions of Section 2-70.

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

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

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

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

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

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

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

17 (21) Coal and aggregate exploration, mining, off-highway  
18 hauling, processing, maintenance, and reclamation equipment,  
19 including replacement parts and equipment, and including  
20 equipment purchased for lease, but excluding motor vehicles  
21 required to be registered under the Illinois Vehicle Code. The  
22 changes made to this Section by Public Act 97-767 apply on and  
23 after July 1, 2003, but no claim for credit or refund is  
24 allowed on or after August 16, 2013 (the effective date of  
25 Public Act 98-456) for such taxes paid during the period  
26 beginning July 1, 2003 and ending on August 16, 2013 (the

1 effective date of Public Act 98-456).

2 (22) Until June 30, 2013, fuel and petroleum products sold  
3 to or used by an air carrier, certified by the carrier to be  
4 used for consumption, shipment, or storage in the conduct of  
5 its business as an air common carrier, for a flight destined  
6 for or returning from a location or locations outside the  
7 United States without regard to previous or subsequent domestic  
8 stopovers.

9 Beginning July 1, 2013, fuel and petroleum products sold to  
10 or used by an air carrier, certified by the carrier to be used  
11 for consumption, shipment, or storage in the conduct of its  
12 business as an air common carrier, for a flight that (i) is  
13 engaged in foreign trade or is engaged in trade between the  
14 United States and any of its possessions and (ii) transports at  
15 least one individual or package for hire from the city of  
16 origination to the city of final destination on the same  
17 aircraft, without regard to a change in the flight number of  
18 that aircraft.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

1 another individual or entity that sold the property for the  
2 purpose of resale by the fundraising entity and that profits  
3 from the sale to the fundraising entity. This paragraph is  
4 exempt from the provisions of Section 2-70.

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

15 (35-5) Beginning August 23, 2001 and through June 30, 2016,  
16 food for human consumption that is to be consumed off the  
17 premises where it is sold (other than alcoholic beverages, soft  
18 drinks, and food that has been prepared for immediate  
19 consumption) and prescription and nonprescription medicines,  
20 drugs, medical appliances, and insulin, urine testing  
21 materials, syringes, and needles used by diabetics, for human  
22 use, when purchased for use by a person receiving medical  
23 assistance under Article V of the Illinois Public Aid Code who  
24 resides in a licensed long-term care facility, as defined in  
25 the Nursing Home Care Act, or a licensed facility as defined in  
26 the ID/DD Community Care Act, the MC/DD Act, or the Specialized

1 Mental Health Rehabilitation Act of 2013.

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

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

18 (38) Beginning on January 1, 2002 and through June 30,  
19 2016, tangible personal property purchased from an Illinois  
20 retailer by a taxpayer engaged in centralized purchasing  
21 activities in Illinois who will, upon receipt of the property  
22 in Illinois, temporarily store the property in Illinois (i) for  
23 the purpose of subsequently transporting it outside this State  
24 for use or consumption thereafter solely outside this State or  
25 (ii) for the purpose of being processed, fabricated, or  
26 manufactured into, attached to, or incorporated into other

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

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

22 (40) Beginning January 1, 2010, materials, parts,  
23 equipment, components, and furnishings incorporated into or  
24 upon an aircraft as part of the modification, refurbishment,  
25 completion, replacement, repair, or maintenance of the  
26 aircraft. This exemption includes consumable supplies used in

1 the modification, refurbishment, completion, replacement,  
2 repair, and maintenance of aircraft, but excludes any  
3 materials, parts, equipment, components, and consumable  
4 supplies used in the modification, replacement, repair, and  
5 maintenance of aircraft engines or power plants, whether such  
6 engines or power plants are installed or uninstalled upon any  
7 such aircraft. "Consumable supplies" include, but are not  
8 limited to, adhesive, tape, sandpaper, general purpose  
9 lubricants, cleaning solution, latex gloves, and protective  
10 films. This exemption applies only to the sale of qualifying  
11 tangible personal property to persons who modify, refurbish,  
12 complete, replace, or maintain an aircraft and who (i) hold an  
13 Air Agency Certificate and are empowered to operate an approved  
14 repair station by the Federal Aviation Administration, (ii)  
15 have a Class IV Rating, and (iii) conduct operations in  
16 accordance with Part 145 of the Federal Aviation Regulations.  
17 The exemption does not include aircraft operated by a  
18 commercial air carrier providing scheduled passenger air  
19 service pursuant to authority issued under Part 121 or Part 129  
20 of the Federal Aviation Regulations. The changes made to this  
21 paragraph (40) by Public Act 98-534 are declarative of existing  
22 law.

23 (41) Tangible personal property sold to a  
24 public-facilities corporation, as described in Section  
25 11-65-10 of the Illinois Municipal Code, for purposes of  
26 constructing or furnishing a municipal convention hall, but

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

11 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
12 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
13 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
14 7-29-15.)

15 (35 ILCS 120/2-30) (from Ch. 120, par. 441-30)

16 Sec. 2-30. Graphic arts production. For purposes of this  
17 Act, "graphic arts production" means the production of tangible  
18 personal property for wholesale or retail sale or lease by  
19 means of printing, including ink jet printing, by one or more  
20 of the processes described in Groups 323110 through 323122 of  
21 Subsector 323, Groups 511110 through 511199 of Subsector 511,  
22 and Group 512230 of Subsector 512 of the North American  
23 Industry Classification System published by the U.S. Office of  
24 Management and Budget, 1997 edition. Graphic arts production  
25 does not include (i) the transfer of images onto paper or other

1 tangible personal property by means of photocopying or (ii)  
2 final printed products in electronic or audio form, including  
3 the production of software or audio-books. For purposes of this  
4 Section, persons engaged primarily in the business of printing  
5 or publishing newspapers or magazines that qualify as newsprint  
6 and ink, by one or more of the processes described in Groups  
7 511110 through 511199 of subsector 511 of the North American  
8 Industry Classification System published by the U.S. Office of  
9 Management and Budget, 1997 edition, are deemed to be engaged  
10 in graphic arts production.

11 For the purposes of the exemption provided in paragraph (4)  
12 of Section 2-5 of this Act, "production related tangible  
13 personal property" means all tangible personal property that is  
14 used or consumed by the purchaser in a graphic arts facility in  
15 which graphic arts production takes place and includes, without  
16 limitation, tangible personal property that is purchased for  
17 incorporation into real estate within a graphic arts production  
18 facility, supplies and consumables used in a graphic arts  
19 production facility including fuels, coolants, solvents, oils,  
20 lubricants, and adhesives, hand tools, protective apparel, and  
21 fire and safety equipment used or consumed within a  
22 manufacturing facility, and tangible personal property that is  
23 used or consumed in activities such as research and  
24 development, preproduction material handling, receiving,  
25 quality control, inventory control, storage, staging, and  
26 packaging for shipping and transportation purposes.

1 "Production related tangible personal property" does not  
2 include (i) tangible personal property that is used, within or  
3 without a graphic arts production facility, in sales,  
4 purchasing, accounting, fiscal management, marketing,  
5 personnel recruitment or selection, or landscaping or (ii)  
6 tangible personal property that is required to be titled or  
7 registered with a department, agency, or unit of federal,  
8 State, or local government.

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

10 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

11 Sec. 2-45. Manufacturing and assembly exemption. The  
12 manufacturing and assembly machinery and equipment exemption  
13 includes machinery and equipment that replaces machinery and  
14 equipment in an existing manufacturing facility as well as  
15 machinery and equipment that are for use in an expanded or new  
16 manufacturing facility.

17 The machinery and equipment exemption also includes  
18 machinery and equipment used in the general maintenance or  
19 repair of exempt machinery and equipment or for in-house  
20 manufacture of exempt machinery and equipment. The machinery  
21 and equipment exemption does not include machinery and  
22 equipment used in (i) the generation of electricity for  
23 wholesale or retail sale; (ii) the generation or treatment of  
24 natural or artificial gas for wholesale or retail sale that is  
25 delivered to customers through pipes, pipelines, or mains; or



1 (iii) the treatment of water for wholesale or retail sale that  
2 is delivered to customers through pipes, pipelines, or mains.  
3 The provisions of this amendatory Act of the 98th General  
4 Assembly are declaratory of existing law as to the meaning and  
5 scope of this exemption. For the purposes of this exemption,  
6 terms have the following meanings:

7 (1) "Manufacturing process" means the production of an  
8 article of tangible personal property, whether the article  
9 is a finished product or an article for use in the process  
10 of manufacturing or assembling a different article of  
11 tangible personal property, by a procedure commonly  
12 regarded as manufacturing, processing, fabricating, or  
13 refining that changes some existing material or materials  
14 into a material with a different form, use, or name. In  
15 relation to a recognized integrated business composed of a  
16 series of operations that collectively constitute  
17 manufacturing, or individually constitute manufacturing  
18 operations, the manufacturing process commences with the  
19 first operation or stage of production in the series and  
20 does not end until the completion of the final product in  
21 the last operation or stage of production in the series.  
22 For purposes of this exemption, photoprocessing is a  
23 manufacturing process of tangible personal property for  
24 wholesale or retail sale.

25 (2) "Assembling process" means the production of an  
26 article of tangible personal property, whether the article

1 is a finished product or an article for use in the process  
2 of manufacturing or assembling a different article of  
3 tangible personal property, by the combination of existing  
4 materials in a manner commonly regarded as assembling that  
5 results in a material of a different form, use, or name.

6 (3) "Machinery" means major mechanical machines or  
7 major components of those machines contributing to a  
8 manufacturing or assembling process.

9 (4) "Equipment" includes an independent device or tool  
10 separate from machinery but essential to an integrated  
11 manufacturing or assembly process; including computers  
12 used primarily in a manufacturer's computer assisted  
13 design, computer assisted manufacturing (CAD/CAM) system;  
14 any subunit or assembly comprising a component of any  
15 machinery or auxiliary, adjunct, or attachment parts of  
16 machinery, such as tools, dies, jigs, fixtures, patterns,  
17 and molds; and any parts that require periodic replacement  
18 in the course of normal operation; but does not include  
19 hand tools. Equipment includes chemicals or chemicals  
20 acting as catalysts but only if the chemicals or chemicals  
21 acting as catalysts effect a direct and immediate change  
22 upon a product being manufactured or assembled for  
23 wholesale or retail sale or lease.

24 (5) "Production related tangible personal property"  
25 means all tangible personal property that is used or  
26 consumed by the purchaser in a manufacturing facility in

1           which a manufacturing process takes place and includes,  
2           without limitation, tangible personal property that is  
3           purchased for incorporation into real estate within a  
4           manufacturing facility, supplies and consumables used in a  
5           manufacturing facility including fuels, coolants,  
6           solvents, oils, lubricants, and adhesives, hand tools,  
7           protective apparel, and fire and safety equipment used or  
8           consumed within a manufacturing facility, and tangible  
9           personal property that is used or consumed in activities  
10          such as research and development, preproduction material  
11          handling, receiving, quality control, inventory control,  
12          storage, staging, and packaging for shipping and  
13          transportation purposes. "Production related tangible  
14          personal property" does not include (i) tangible personal  
15          property that is used, within or without a manufacturing  
16          facility, in sales, purchasing, accounting, fiscal  
17          management, marketing, personnel recruitment or selection,  
18          or landscaping or (ii) tangible personal property that is  
19          required to be titled or registered with a department,  
20          agency, or unit of federal, State, or local government.

21          The manufacturing and assembling machinery and equipment  
22          exemption includes production related tangible personal  
23          property that is purchased on or after July 1, 2007 and on or  
24          before June 30, 2008 and on and after July 1, 2014. The  
25          exemption for production related tangible personal property  
26          purchased on or after July 1, 2007 and on or before June 30,

1 2008 is subject to both of the following limitations:

2 (1) The maximum amount of the exemption for any one  
3 taxpayer may not exceed 5% of the purchase price of  
4 production related tangible personal property that is  
5 purchased on or after July 1, 2007 and on or before June  
6 30, 2008. A credit under Section 3-85 of this Act may not  
7 be earned by the purchase of production related tangible  
8 personal property for which an exemption is received under  
9 this Section.

10 (2) The maximum aggregate amount of the exemptions for  
11 production related tangible personal property purchased on  
12 or after July 1, 2007 and on or before June 30, 2008  
13 awarded under this Act and the Use Tax Act to all taxpayers  
14 may not exceed \$10,000,000. If the claims for the exemption  
15 exceed \$10,000,000, then the Department shall reduce the  
16 amount of the exemption to each taxpayer on a pro rata  
17 basis.

18 The Department shall ~~may~~ adopt rules to implement and  
19 administer the exemption for production related tangible  
20 personal property.

21 The manufacturing and assembling machinery and equipment  
22 exemption includes the sale of materials to a purchaser who  
23 produces exempted types of machinery, equipment, or tools and  
24 who rents or leases that machinery, equipment, or tools to a  
25 manufacturer of tangible personal property. This exemption  
26 also includes the sale of materials to a purchaser who

1 manufactures those materials into an exempted type of  
2 machinery, equipment, or tools that the purchaser uses himself  
3 or herself in the manufacturing of tangible personal property.  
4 The purchaser of the machinery and equipment who has an active  
5 resale registration number shall furnish that number to the  
6 seller at the time of purchase. A purchaser of the machinery,  
7 equipment, and tools without an active resale registration  
8 number shall furnish to the seller a certificate of exemption  
9 for each transaction stating facts establishing the exemption  
10 for that transaction, and that certificate shall be available  
11 to the Department for inspection or audit. Informal rulings,  
12 opinions, or letters issued by the Department in response to an  
13 inquiry or request for an opinion from any person regarding the  
14 coverage and applicability of this exemption to specific  
15 devices shall be published, maintained as a public record, and  
16 made available for public inspection and copying. If the  
17 informal ruling, opinion, or letter contains trade secrets or  
18 other confidential information, where possible, the Department  
19 shall delete that information before publication. Whenever  
20 informal rulings, opinions, or letters contain a policy of  
21 general applicability, the Department shall formulate and  
22 adopt that policy as a rule in accordance with the Illinois  
23 Administrative Procedure Act.

24 (Source: P.A. 98-583, eff. 1-1-14.)

25 Section 99. Effective date. This Act takes effect upon  
26 becoming law.