



Sen. John G. Mulroe

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1 AMENDMENT TO SENATE BILL 88

2 AMENDMENT NO. _____. Amend Senate Bill 88 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Use Tax Act is amended by changing Sections
5 3-5 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

1 Illinois county fair association for use in conducting,
2 operating, or promoting the county fair.

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

18 (4) Personal property purchased by a governmental body, by
19 a corporation, society, association, foundation, or
20 institution organized and operated exclusively for charitable,
21 religious, or educational purposes, or by a not-for-profit
22 corporation, society, association, foundation, institution, or
23 organization that has no compensated officers or employees and
24 that is organized and operated primarily for the recreation of
25 persons 55 years of age or older. A limited liability company
26 may qualify for the exemption under this paragraph only if the

1 limited liability company is organized and operated
2 exclusively for educational purposes. On and after July 1,
3 1987, however, no entity otherwise eligible for this exemption
4 shall make tax-free purchases unless it has an active exemption
5 identification number issued by the Department.

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

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

22 (7) Farm chemicals.

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

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

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

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

26 Farm machinery and equipment shall include precision

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

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

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

23 Beginning July 1, 2013, fuel and petroleum products sold to
24 or used by an air carrier, certified by the carrier to be used
25 for consumption, shipment, or storage in the conduct of its
26 business as an air common carrier, for a flight that (i) is

1 engaged in foreign trade or is engaged in trade between the
2 United States and any of its possessions and (ii) transports at
3 least one individual or package for hire from the city of
4 origination to the city of final destination on the same
5 aircraft, without regard to a change in the flight number of
6 that aircraft.

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

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

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

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

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

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

20 (18) Manufacturing and assembling machinery and equipment
21 used primarily in the process of manufacturing or assembling
22 tangible personal property for wholesale or retail sale or
23 lease, whether that sale or lease is made directly by the
24 manufacturer or by some other person, whether the materials
25 used in the process are owned by the manufacturer or some other
26 person, or whether that sale or lease is made apart from or as

1 an incident to the seller's engaging in the service occupation
2 of producing machines, tools, dies, jigs, patterns, gauges, or
3 other similar items of no commercial value on special order for
4 a particular purchaser. The exemption provided by this
5 paragraph (18) does not include machinery and equipment used in
6 (i) the generation of electricity for wholesale or retail sale;
7 (ii) the generation or treatment of natural or artificial gas
8 for wholesale or retail sale that is delivered to customers
9 through pipes, pipelines, or mains; or (iii) the treatment of
10 water for wholesale or retail sale that is delivered to
11 customers through pipes, pipelines, or mains. The provisions of
12 Public Act 98-583 are declaratory of existing law as to the
13 meaning and scope of this exemption. Beginning on August 31,
14 2014, the exemption provided by this paragraph (18) includes,
15 but is not limited to, graphic arts machinery and equipment, as
16 defined in paragraph (6) of this Section. Beginning on August
17 31, 2014 and until December 31, 2019, the exemption provided by
18 this paragraph (18) includes, but is not limited to, production
19 related tangible personal property, as defined in Section 3-50
20 of this Act. The exemption provided by this paragraph (18),
21 except with respect to production related tangible personal
22 property, is exempt from the provisions of Section 3-90.

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

1 deliver the personal property.

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

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

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

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

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

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

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

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

1 declared disaster area within 6 months after the disaster.

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

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

24 (28) Beginning January 1, 2000, personal property,
25 including food, purchased through fundraising events for the
26 benefit of a public or private elementary or secondary school,

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

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

22 (30) Beginning January 1, 2001 and through June 30, 2016,
23 food for human consumption that is to be consumed off the
24 premises where it is sold (other than alcoholic beverages, soft
25 drinks, and food that has been prepared for immediate
26 consumption) and prescription and nonprescription medicines,

1 drugs, medical appliances, and insulin, urine testing
2 materials, syringes, and needles used by diabetics, for human
3 use, when purchased for use by a person receiving medical
4 assistance under Article V of the Illinois Public Aid Code who
5 resides in a licensed long-term care facility, as defined in
6 the Nursing Home Care Act, or in a licensed facility as defined
7 in the ID/DD Community Care Act or the Specialized Mental
8 Health Rehabilitation Act of 2013.

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

1 has not been paid by the lessor. If a lessor improperly
2 collects any such amount from the lessee, the lessee shall have
3 a legal right to claim a refund of that amount from the lessor.
4 If, however, that amount is not refunded to the lessee for any
5 reason, the lessor is liable to pay that amount to the
6 Department. This paragraph is exempt from the provisions of
7 Section 3-90.

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

1 amount from the lessor. If, however, that amount is not
2 refunded to the lessee for any reason, the lessor is liable to
3 pay that amount to the Department. This paragraph is exempt
4 from the provisions of Section 3-90.

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

24 (34) 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 3-90.

5 (35) Beginning January 1, 2010, materials, parts,
6 equipment, components, and furnishings incorporated into or
7 upon an aircraft as part of the modification, refurbishment,
8 completion, replacement, repair, or maintenance of the
9 aircraft. This exemption includes consumable supplies used in
10 the modification, refurbishment, completion, replacement,
11 repair, and maintenance of aircraft, but excludes any
12 materials, parts, equipment, components, and consumable
13 supplies used in the modification, replacement, repair, and
14 maintenance of aircraft engines or power plants, whether such
15 engines or power plants are installed or uninstalled upon any
16 such aircraft. "Consumable supplies" include, but are not
17 limited to, adhesive, tape, sandpaper, general purpose
18 lubricants, cleaning solution, latex gloves, and protective
19 films. This exemption applies only to the use of qualifying
20 tangible personal property by persons who modify, refurbish,
21 complete, repair, replace, or maintain aircraft and who (i)
22 hold an Air Agency Certificate and are empowered to operate an
23 approved repair station by the Federal Aviation
24 Administration, (ii) have a Class IV Rating, and (iii) conduct
25 operations in accordance with Part 145 of the Federal Aviation
26 Regulations. The exemption does not include aircraft operated

1 by a commercial air carrier providing scheduled passenger air
2 service pursuant to authority issued under Part 121 or Part 129
3 of the Federal Aviation Regulations. The changes made to this
4 paragraph (35) by Public Act 98-534 are declarative of existing
5 law.

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

20 (Source: P.A. 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431,
21 eff. 8-16-11; 97-636, eff. 6-1-12; 97-767, eff. 7-9-12; 98-104,
22 eff. 7-22-13; 98-422, eff. 8-16-13; 98-456, eff. 8-16-13;
23 98-534, eff. 8-23-13; 98-574, eff. 1-1-14; 98-583, eff. 1-1-14;
24 98-756, eff. 7-16-14.)

25 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

1 Sec. 3-50. Manufacturing and assembly exemption. The
2 manufacturing and assembling machinery and equipment exemption
3 includes machinery and equipment that replaces machinery and
4 equipment in an existing manufacturing facility as well as
5 machinery and equipment that are for use in an expanded or new
6 manufacturing facility. The machinery and equipment exemption
7 also includes machinery and equipment used in the general
8 maintenance or repair of exempt machinery and equipment or for
9 in-house manufacture of exempt machinery and equipment.
10 Beginning on August 31, 2014, the manufacturing and assembling
11 machinery and equipment exemption also includes graphic arts
12 machinery and equipment, as defined in paragraph (6) of Section
13 3-5. Beginning on August 31, 2014 and until December 31, 2019,
14 the manufacturing and assembling machinery and equipment
15 exemption also includes production related tangible personal
16 property, as defined in this Section. The machinery and
17 equipment exemption does not include machinery and equipment
18 used in (i) the generation of electricity for wholesale or
19 retail sale; (ii) the generation or treatment of natural or
20 artificial gas for wholesale or retail sale that is delivered
21 to customers through pipes, pipelines, or mains; or (iii) the
22 treatment of water for wholesale or retail sale that is
23 delivered to customers through pipes, pipelines, or mains. The
24 provisions of this amendatory Act of the 98th General Assembly
25 are declaratory of existing law as to the meaning and scope of
26 this exemption. For the purposes of this exemption, terms have

1 the following meanings:

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

19 (2) "Assembling process" means the production of an
20 article of tangible personal property, whether the article
21 is a finished product or an article for use in the process
22 of manufacturing or assembling a different article of
23 tangible personal property, by the combination of existing
24 materials in a manner commonly regarded as assembling that
25 results in an article or material of a different form, use,
26 or name.

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

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

19 (5) "Production related tangible personal property"
20 means all tangible personal property that is used or
21 consumed by the purchaser in a manufacturing facility in
22 which a manufacturing process takes place and includes,
23 without limitation, tangible personal property that is
24 purchased for incorporation into real estate within a
25 manufacturing facility and tangible personal property that
26 is used or consumed in activities such as research and

1 development, preproduction material handling, receiving,
2 quality control, inventory control, storage, staging, and
3 packaging for shipping and transportation purposes.

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

12 The manufacturing and assembling machinery and equipment
13 exemption includes production related tangible personal
14 property that is purchased (i) on or after July 1, 2007 and on
15 or before June 30, 2008 or (ii) on and after August 31, 2014
16 and on or before December 31, 2019. The exemption for
17 production related tangible personal property purchased on or
18 after July 1, 2007 and on or before June 30, 2008 is subject to
19 both of the following limitations:

20 (1) The maximum amount of the exemption for any one
21 taxpayer may not exceed 5% of the purchase price of
22 production related tangible personal property that is
23 purchased on or after July 1, 2007 and on or before June
24 30, 2008. A credit under Section 3-85 of this Act may not
25 be earned by the purchase of production related tangible
26 personal property for which an exemption is received under

1 this Section.

2 (2) The maximum aggregate amount of the exemptions for
3 production related tangible personal property awarded
4 under this Act and the Retailers' Occupation Tax Act to all
5 taxpayers may not exceed \$10,000,000. If the claims for the
6 exemption exceed \$10,000,000, then the Department shall
7 reduce the amount of the exemption to each taxpayer on a
8 pro rata basis.

9 The Department may adopt rules to implement and administer the
10 exemption for production related tangible personal property.

11 The manufacturing and assembling machinery and equipment
12 exemption includes the sale of materials to a purchaser who
13 produces exempted types of machinery, equipment, or tools and
14 who rents or leases that machinery, equipment, or tools to a
15 manufacturer of tangible personal property. This exemption
16 also includes the sale of materials to a purchaser who
17 manufactures those materials into an exempted type of
18 machinery, equipment, or tools that the purchaser uses himself
19 or herself in the manufacturing of tangible personal property.
20 This exemption includes the sale of exempted types of machinery
21 or equipment to a purchaser who is not the manufacturer, but
22 who rents or leases the use of the property to a manufacturer.
23 The purchaser of the machinery and equipment who has an active
24 resale registration number shall furnish that number to the
25 seller at the time of purchase. A user of the machinery,
26 equipment, or tools without an active resale registration

1 number shall prepare a certificate of exemption for each
2 transaction stating facts establishing the exemption for that
3 transaction, and that certificate shall be available to the
4 Department for inspection or audit. The Department shall
5 prescribe the form of the certificate. Informal rulings,
6 opinions, or letters issued by the Department in response to an
7 inquiry or request for an opinion from any person regarding the
8 coverage and applicability of this exemption to specific
9 devices shall be published, maintained as a public record, and
10 made available for public inspection and copying. If the
11 informal ruling, opinion, or letter contains trade secrets or
12 other confidential information, where possible, the Department
13 shall delete that information before publication. Whenever
14 informal rulings, opinions, or letters contain a policy of
15 general applicability, the Department shall formulate and
16 adopt that policy as a rule in accordance with the Illinois
17 Administrative Procedure Act.

18 The manufacturing and assembling machinery and equipment
19 exemption, except with respect to production related tangible
20 personal property, is exempt from the provisions of Section
21 3-90.

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

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

1 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

2 Sec. 2. Definitions.

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

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

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

22 "Cost price" means the consideration paid by the serviceman
23 for a purchase valued in money, whether paid in money or
24 otherwise, including cash, credits and services, and shall be
25 determined without any deduction on account of the supplier's
26 cost of the property sold or on account of any other expense

1 incurred by the supplier. When a serviceman contracts out part
2 or all of the services required in his sale of service, it
3 shall be presumed that the cost price to the serviceman of the
4 property transferred to him or her by his or her subcontractor
5 is equal to 50% of the subcontractor's charges to the
6 serviceman in the absence of proof of the consideration paid by
7 the subcontractor for the purchase of such property.

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

18 "Department" means the Department of Revenue.

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

24 "Sale of service" means any transaction except:

25 (1) a retail sale of tangible personal property taxable
26 under the Retailers' Occupation Tax Act or under the Use

1 Tax Act.

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

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

19 (4) a sale or transfer of tangible personal property as
20 an incident to the rendering of service for interstate
21 carriers for hire for use as rolling stock moving in
22 interstate commerce or by lessors under a lease of one year
23 or longer, executed or in effect at the time of purchase of
24 personal property, to interstate carriers for hire for use
25 as rolling stock moving in interstate commerce so long as
26 so used by such interstate carriers for hire, and equipment

1 operated by a telecommunications provider, licensed as a
2 common carrier by the Federal Communications Commission,
3 which is permanently installed in or affixed to aircraft
4 moving in interstate commerce.

5 (4a) a sale or transfer of tangible personal property
6 as an incident to the rendering of service for owners,
7 lessors, or shippers of tangible personal property which is
8 utilized by interstate carriers for hire for use as rolling
9 stock moving in interstate commerce so long as so used by
10 interstate carriers for hire, and equipment operated by a
11 telecommunications provider, licensed as a common carrier
12 by the Federal Communications Commission, which is
13 permanently installed in or affixed to aircraft moving in
14 interstate commerce.

15 (4a-5) on and after July 1, 2003 and through June 30,
16 2004, a sale or transfer of a motor vehicle of the second
17 division with a gross vehicle weight in excess of 8,000
18 pounds as an incident to the rendering of service if that
19 motor vehicle is subject to the commercial distribution fee
20 imposed under Section 3-815.1 of the Illinois Vehicle Code.
21 Beginning on July 1, 2004 and through June 30, 2005, the
22 use in this State of motor vehicles of the second division:
23 (i) with a gross vehicle weight rating in excess of 8,000
24 pounds; (ii) that are subject to the commercial
25 distribution fee imposed under Section 3-815.1 of the
26 Illinois Vehicle Code; and (iii) that are primarily used

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

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

1 through pipes, pipelines, or mains; or (iii) the treatment
2 of water for wholesale or retail sale that is delivered to
3 customers through pipes, pipelines, or mains. The
4 provisions of this amendatory Act of the 98th General
5 Assembly are declaratory of existing law as to the meaning
6 and scope of this exemption. The exemption under this
7 paragraph (5), except with respect to production related
8 tangible personal property, is exempt from the provisions
9 of Section 3-75.

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

21 (5b) a sale or transfer of tangible personal property
22 which is produced by the seller thereof on special order in
23 such a way as to have made the applicable tax the Service
24 Occupation Tax or the Service Use Tax, rather than the
25 Retailers' Occupation Tax or the Use Tax, for an interstate
26 carrier by rail which receives the physical possession of

1 such property in Illinois, and which transports such
2 property, or shares with another common carrier in the
3 transportation of such property, out of Illinois on a
4 standard uniform bill of lading showing the seller of the
5 property as the shipper or consignor of such property to a
6 destination outside Illinois, for use outside Illinois.

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

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

1 primary serviceman who has made the election described in
2 this paragraph subcontracts service work to a secondary
3 serviceman who has also made the election described in this
4 paragraph, the primary serviceman does not incur a Use Tax
5 liability if the secondary serviceman (i) has paid or will
6 pay Use Tax on his or her cost price of any tangible
7 personal property transferred to the primary serviceman
8 and (ii) certifies that fact in writing to the primary
9 serviceman.

10 Tangible personal property transferred incident to the
11 completion of a maintenance agreement is exempt from the tax
12 imposed pursuant to this Act.

13 Exemption (5) also includes machinery and equipment used in
14 the general maintenance or repair of such exempt machinery and
15 equipment or for in-house manufacture of exempt machinery and
16 equipment. On and after August 31, 2014 and through December
17 31, 2019, exemption (5) also includes production related
18 tangible personal property, as defined in Section 3-50 of the
19 Use Tax Act. On and after August 31, 2019, exemption (5) also
20 includes graphic arts machinery and equipment, as defined in
21 paragraph (5) of Section 3-5. The machinery and equipment
22 exemption does not include machinery and equipment used in (i)
23 the generation of electricity for wholesale or retail sale;
24 (ii) the generation or treatment of natural or artificial gas
25 for wholesale or retail sale that is delivered to customers
26 through pipes, pipelines, or mains; or (iii) the treatment of

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

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

1 certificate shall be available to the Department for inspection
2 or audit. The Department shall prescribe the form of the
3 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. Beginning on
6 August 31, 2014, graphic arts machinery and equipment is
7 included in the manufacturing and assembling machinery and
8 equipment exemption under Section 2 of this Act.

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

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

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

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

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

21 (8) Until June 30, 2013, fuel and petroleum products sold
22 to or used by an air common carrier, certified by the carrier
23 to be used for consumption, shipment, or storage in the conduct
24 of its business as an air common carrier, for a flight destined
25 for or returning from a location or locations outside the
26 United States without regard to previous or subsequent domestic

1 stopovers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 in the ID/DD Community Care Act or the Specialized Mental
2 Health Rehabilitation Act of 2013.

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

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

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

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

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

1 commercial air carrier providing scheduled passenger air
2 service pursuant to authority issued under Part 121 or Part 129
3 of the Federal Aviation Regulations. The changes made to this
4 paragraph (27) by Public Act 98-534 are declarative of existing
5 law.

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

20 (Source: P.A. 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-431,
21 eff. 8-16-11; 97-636, eff. 6-1-12; 97-767, eff. 7-9-12; 98-104,
22 eff. 7-22-13; 98-422, eff. 8-16-13; 98-456, eff. 8-16-13;
23 98-534, eff. 8-23-13; 98-756, eff. 7-16-14.)

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

1 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

2 Sec. 2. "Transfer" means any transfer of the title to
3 property or of the ownership of property whether or not the
4 transferor retains title as security for the payment of amounts
5 due him from the transferee.

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

18 "Department" means the Department of Revenue.

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

24 "Sale of Service" means any transaction except:

25 (a) A retail sale of tangible personal property taxable

1 under the Retailers' Occupation Tax Act or under the Use Tax
2 Act.

3 (b) A sale of tangible personal property for the purpose of
4 resale made in compliance with Section 2c of the Retailers'
5 Occupation Tax Act.

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

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

1 which is permanently installed in or affixed to aircraft moving
2 in interstate commerce.

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

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

1 for the rolling stock exemption otherwise provided for in this
2 Act. For purposes of this paragraph, "used for commercial
3 purposes" means the transportation of persons or property in
4 furtherance of any commercial or industrial enterprise whether
5 for-hire or not.

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

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

1 consignor of such property to a destination outside Illinois,
2 for use outside Illinois.

3 (d-4) Until January 1, 1997, a sale, by a registered
4 serviceman paying tax under this Act to the Department, of
5 special order printed materials delivered outside Illinois and
6 which are not returned to this State, if delivery is made by
7 the seller or agent of the seller, including an agent who
8 causes the product to be delivered outside Illinois by a common
9 carrier or the U.S. postal service.

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

1 wholesale or retail sale that is delivered to customers through
2 pipes, pipelines, or mains. The provisions of this amendatory
3 Act of the 98th General Assembly are declaratory of existing
4 law as to the meaning and scope of this exemption. The
5 exemption under this subsection (e), except with respect to
6 production related tangible personal property, is exempt from
7 the provisions of Section 3-75.

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

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

1 described in this paragraph subcontracts service work to a
2 secondary serviceman who has also made the election described
3 in this paragraph, the primary serviceman does not incur a Use
4 Tax liability if the secondary serviceman (i) has paid or will
5 pay Use Tax on his or her cost price of any tangible personal
6 property transferred to the primary serviceman and (ii)
7 certifies that fact in writing to the primary serviceman.

8 Tangible personal property transferred incident to the
9 completion of a maintenance agreement is exempt from the tax
10 imposed pursuant to this Act.

11 Exemption (e) also includes machinery and equipment used in
12 the general maintenance or repair of such exempt machinery and
13 equipment or for in-house manufacture of exempt machinery and
14 equipment. On and after August 31, 2014 and through December
15 31, 2019, exemption (e) also includes production related
16 tangible personal property, as defined in Section 2-45 of the
17 Retailers' Occupation Tax Act. On and after August 31, 2019,
18 exemption (e) also includes graphic arts machinery and
19 equipment, as defined in paragraph (5) of Section 3-5. The
20 machinery and equipment exemption does not include machinery
21 and equipment used in (i) the generation of electricity for
22 wholesale or retail sale; (ii) the generation or treatment of
23 natural or artificial gas for wholesale or retail sale that is
24 delivered to customers through pipes, pipelines, or mains; or
25 (iii) the treatment of water for wholesale or retail sale that
26 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 exemption (e),
4 each of these terms shall have the following meanings: (1)
5 "manufacturing process" shall mean the production of any
6 article of tangible personal property, whether such article is
7 a finished product or an article for use in the process of
8 manufacturing or assembling a different article of tangible
9 personal property, by procedures commonly regarded as
10 manufacturing, processing, fabricating, or refining which
11 changes some existing material or materials into a material
12 with a different form, use or name. In relation to a recognized
13 integrated business composed of a series of operations which
14 collectively constitute manufacturing, or individually
15 constitute manufacturing operations, the manufacturing process
16 shall be deemed to commence with the first operation or stage
17 of production in the series, and shall not be deemed to end
18 until the completion of the final product in the last operation
19 or stage of production in the series; and further for purposes
20 of exemption (e), photoprocessing is deemed to be a
21 manufacturing process of tangible personal property for
22 wholesale or retail sale; (2) "assembling process" shall mean
23 the production of any article of tangible personal property,
24 whether such article is a finished product or an article for
25 use in the process of manufacturing or assembling a different
26 article of tangible personal property, by the combination of

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

1 Except as provided in Section 2d of this Act, the rolling
2 stock exemption applies to rolling stock used by an interstate
3 carrier for hire, even just between points in Illinois, if such
4 rolling stock transports, for hire, persons whose journeys or
5 property whose shipments originate or terminate outside
6 Illinois.

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

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

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

26 "Sale at Retail" means "sale at retail" as defined in the

1 Retailers' Occupation Tax Act.

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

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

6 (35 ILCS 115/3-5)

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

9 (1) Personal property sold by a corporation, society,
10 association, foundation, institution, or organization, other
11 than a limited liability company, that is organized and
12 operated as a not-for-profit service enterprise for the benefit
13 of persons 65 years of age or older if the personal property
14 was not purchased by the enterprise for the purpose of resale
15 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 any not-for-profit arts
20 or cultural organization that establishes, by proof required by
21 the Department by rule, that it has received an exemption under
22 Section 501(c)(3) of the Internal Revenue Code and that is
23 organized and operated primarily for the presentation or
24 support of arts or cultural programming, activities, or
25 services. These organizations include, but are not limited to,

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

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

13 (5) Until July 1, 2003 and beginning again on September 1,
14 2004 through August 30, 2014, graphic arts machinery and
15 equipment, including repair and replacement parts, both new and
16 used, and including that manufactured on special order or
17 purchased for lease, certified by the purchaser to be used
18 primarily for graphic arts production. Equipment includes
19 chemicals or chemicals acting as catalysts but only if the
20 chemicals or chemicals acting as catalysts effect a direct and
21 immediate change upon a graphic arts product. Beginning on
22 August 31, 2014, graphic arts machinery and equipment is
23 included in the manufacturing and assembling machinery and
24 equipment exemption under Section 2 of this Act.

25 (6) Personal property sold by a teacher-sponsored student
26 organization affiliated with an elementary or secondary school

1 located in Illinois.

2 (7) 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 (7). 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 (7) is exempt from the
10 provisions of Section 3-55.

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

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

1 that aircraft.

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

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

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

24 (12) Coal and aggregate exploration, mining, off-highway
25 hauling, processing, maintenance, and reclamation equipment,
26 including replacement parts and equipment, and including

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

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

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

24 (15) Horses, or interests in horses, registered with and
25 meeting the requirements of any of the Arabian Horse Club
26 Registry of America, Appaloosa Horse Club, American Quarter

1 Horse Association, United States Trotting Association, or
2 Jockey Club, as appropriate, used for purposes of breeding or
3 racing for prizes. This item (15) is exempt from the provisions
4 of Section 3-55, and the exemption provided for under this item
5 (15) applies for all periods beginning May 30, 1995, but no
6 claim for credit or refund is allowed on or after January 1,
7 2008 (the effective date of Public Act 95-88) for such taxes
8 paid during the period beginning May 30, 2000 and ending on
9 January 1, 2008 (the effective date of Public Act 95-88).

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

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

24 (18) Beginning with taxable years ending on or after
25 December 31, 1995 and ending with taxable years ending on or
26 before December 31, 2004, personal property that is donated for

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

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

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

24 (21) A motor vehicle, as that term is defined in Section
25 1-146 of the Illinois Vehicle Code, that is donated to a
26 corporation, limited liability company, society, association,

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

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

1 purpose of resale by the fundraising entity and that profits
2 from the sale to the fundraising entity. This paragraph is
3 exempt from the provisions of Section 3-55.

4 (23) Beginning January 1, 2000 and through December 31,
5 2001, new or used automatic vending machines that prepare and
6 serve hot food and beverages, including coffee, soup, and other
7 items, and replacement parts for these machines. Beginning
8 January 1, 2002 and through June 30, 2003, machines and parts
9 for machines used in commercial, coin-operated amusement and
10 vending business if a use or occupation tax is paid on the
11 gross receipts derived from the use of the commercial,
12 coin-operated amusement and vending machines. This paragraph
13 is exempt from the provisions of Section 3-55.

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

24 (25) Beginning on the effective date of this amendatory Act
25 of the 92nd General Assembly, personal property sold to a
26 lessor who leases the property, under a lease of one year or

1 longer executed or in effect at the time of the purchase, to a
2 governmental body that has been issued an active tax exemption
3 identification number by the Department under Section 1g of the
4 Retailers' Occupation Tax Act. This paragraph is exempt from
5 the provisions of Section 3-55.

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

1 consumption of all such tangible personal property outside of
2 the State of Illinois.

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

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

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

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

26 (Source: P.A. 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227,

1 eff. 1-1-12; 97-431, eff. 8-16-11; 97-636, eff. 6-1-12; 97-767,
2 eff. 7-9-12; 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
3 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.
4 7-16-14.)

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

7 (35 ILCS 120/2-5)

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

11 (1) Farm chemicals.

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

1 plants shall be considered farm machinery and equipment under
2 this item (2). 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 (2) is exempt from the
22 provisions of Section 2-70.

23 (3) Until July 1, 2003, distillation machinery and
24 equipment, sold as a unit or kit, assembled or installed by the
25 retailer, certified by the user to be used only for the
26 production of ethyl alcohol that will be used for consumption

1 as motor fuel or as a component of motor fuel for the personal
2 use of the user, and not subject to sale or resale.

3 (4) Until July 1, 2003 and beginning again September 1,
4 2004 through August 30, 2014, graphic arts machinery and
5 equipment, including repair and replacement parts, both new and
6 used, and including that manufactured on special order or
7 purchased for lease, certified by the purchaser to be used
8 primarily for graphic arts production. Equipment includes
9 chemicals or chemicals acting as catalysts but only if the
10 chemicals or chemicals acting as catalysts effect a direct and
11 immediate change upon a graphic arts product. Beginning on
12 August 31, 2014, graphic arts machinery and equipment is
13 included in the manufacturing and assembling machinery and
14 equipment exemption under paragraph (14).

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

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

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

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

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

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

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

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

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

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

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

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

19 (14) Machinery and equipment that will be used by the
20 purchaser, or a lessee of the purchaser, primarily in the
21 process of manufacturing or assembling tangible personal
22 property for wholesale or retail sale or lease, whether the
23 sale or lease is made directly by the manufacturer or by some
24 other person, whether the materials used in the process are
25 owned by the manufacturer or some other person, or whether the
26 sale or lease is made apart from or as an incident to the

1 seller's engaging in the service occupation of producing
2 machines, tools, dies, jigs, patterns, gauges, or other similar
3 items of no commercial value on special order for a particular
4 purchaser. The exemption provided by this paragraph (14) does
5 not include machinery and equipment used in (i) the generation
6 of electricity for wholesale or retail sale; (ii) the
7 generation or treatment of natural or artificial gas for
8 wholesale or retail sale that is delivered to customers through
9 pipes, pipelines, or mains; or (iii) the treatment of water for
10 wholesale or retail sale that is delivered to customers through
11 pipes, pipelines, or mains. The provisions of Public Act 98-583
12 are declaratory of existing law as to the meaning and scope of
13 this exemption. Beginning on August 31, 2014, the exemption
14 provided by this paragraph (14) includes, but is not limited
15 to, graphic arts machinery and equipment, as defined in
16 paragraph (4) of this Section. Beginning on August 31, 2014 and
17 until December 31, 2019, the exemption provided by this
18 paragraph (14) includes, but is not limited to, production
19 related tangible personal property, as defined in Section 2-45
20 of this Act. The exemption provided by this paragraph (14),
21 except with respect to production related tangible personal
22 property, is exempt from the provisions of Section 2-70.

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

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

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

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

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

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

1 required to be registered under the Illinois Vehicle Code.

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

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

18 (22) Until June 30, 2013, fuel and petroleum products sold
19 to or used by an air carrier, certified by the carrier to be
20 used for consumption, shipment, or storage in the conduct of
21 its business as an air common carrier, for a flight destined
22 for or returning from a location or locations outside the
23 United States without regard to previous or subsequent domestic
24 stopovers.

25 Beginning July 1, 2013, fuel and petroleum products sold to
26 or used by an air carrier, certified by the carrier to be used

1 for consumption, shipment, or storage in the conduct of its
2 business as an air common carrier, for a flight that (i) is
3 engaged in foreign trade or is engaged in trade between the
4 United States and any of its possessions and (ii) transports at
5 least one individual or package for hire from the city of
6 origination to the city of final destination on the same
7 aircraft, without regard to a change in the flight number of
8 that aircraft.

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

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

19 (25) Except as provided in item (25-5) of this Section, a
20 motor vehicle sold in this State to a nonresident even though
21 the motor vehicle is delivered to the nonresident in this
22 State, if the motor vehicle is not to be titled in this State,
23 and if a drive-away permit is issued to the motor vehicle as
24 provided in Section 3-603 of the Illinois Vehicle Code or if
25 the nonresident purchaser has vehicle registration plates to
26 transfer to the motor vehicle upon returning to his or her home

1 state. The issuance of the drive-away permit or having the
2 out-of-state registration plates to be transferred is prima
3 facie evidence that the motor vehicle will not be titled in
4 this State.

5 (25-5) The exemption under item (25) does not apply if the
6 state in which the motor vehicle will be titled does not allow
7 a reciprocal exemption for a motor vehicle sold and delivered
8 in that state to an Illinois resident but titled in Illinois.
9 The tax collected under this Act on the sale of a motor vehicle
10 in this State to a resident of another state that does not
11 allow a reciprocal exemption shall be imposed at a rate equal
12 to the state's rate of tax on taxable property in the state in
13 which the purchaser is a resident, except that the tax shall
14 not exceed the tax that would otherwise be imposed under this
15 Act. At the time of the sale, the purchaser shall execute a
16 statement, signed under penalty of perjury, of his or her
17 intent to title the vehicle in the state in which the purchaser
18 is a resident within 30 days after the sale and of the fact of
19 the payment to the State of Illinois of tax in an amount
20 equivalent to the state's rate of tax on taxable property in
21 his or her state of residence and shall submit the statement to
22 the appropriate tax collection agency in his or her state of
23 residence. In addition, the retailer must retain a signed copy
24 of the statement in his or her records. Nothing in this item
25 shall be construed to require the removal of the vehicle from
26 this state following the filing of an intent to title the

1 vehicle in the purchaser's state of residence if the purchaser
2 titles the vehicle in his or her state of residence within 30
3 days after the date of sale. The tax collected under this Act
4 in accordance with this item (25-5) shall be proportionately
5 distributed as if the tax were collected at the 6.25% general
6 rate imposed under this Act.

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

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

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

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

1 aircraft, and other information that the Department may
2 reasonably require.

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

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

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

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

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

16 (27) Horses, or interests in horses, registered with and
17 meeting the requirements of any of the Arabian Horse Club
18 Registry of America, Appaloosa Horse Club, American Quarter
19 Horse Association, United States Trotting Association, or
20 Jockey Club, as appropriate, used for purposes of breeding or
21 racing for prizes. This item (27) is exempt from the provisions
22 of Section 2-70, and the exemption provided for under this item
23 (27) applies for all periods beginning May 30, 1995, but no
24 claim for credit or refund is allowed on or after January 1,
25 2008 (the effective date of Public Act 95-88) for such taxes
26 paid during the period beginning May 30, 2000 and ending on

1 January 1, 2008 (the effective date of Public Act 95-88).

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

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

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

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

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

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

1 course of study presented in tax-supported schools, and
2 vocational or technical schools or institutes organized and
3 operated exclusively to provide a course of study of not less
4 than 6 weeks duration and designed to prepare individuals to
5 follow a trade or to pursue a manual, technical, mechanical,
6 industrial, business, or commercial occupation.

7 (34) Beginning January 1, 2000, personal property,
8 including food, purchased through fundraising events for the
9 benefit of a public or private elementary or secondary school,
10 a group of those schools, or one or more school districts if
11 the events are sponsored by an entity recognized by the school
12 district that consists primarily of volunteers and includes
13 parents and teachers of the school children. This paragraph
14 does not apply to fundraising events (i) for the benefit of
15 private home instruction or (ii) for which the fundraising
16 entity purchases the personal property sold at the events from
17 another individual or entity that sold the property for the
18 purpose of resale by the fundraising entity and that profits
19 from the sale to the fundraising entity. This paragraph is
20 exempt from the provisions of Section 2-70.

21 (35) Beginning January 1, 2000 and through December 31,
22 2001, new or used automatic vending machines that prepare and
23 serve hot food and beverages, including coffee, soup, and other
24 items, and replacement parts for these machines. Beginning
25 January 1, 2002 and through June 30, 2003, machines and parts
26 for machines used in commercial, coin-operated amusement and

1 vending business if a use or occupation tax is paid on the
2 gross receipts derived from the use of the commercial,
3 coin-operated amusement and vending machines. This paragraph
4 is exempt from the provisions of Section 2-70.

5 (35-5) Beginning August 23, 2001 and through June 30, 2016,
6 food for human consumption that is to be consumed off the
7 premises where it is sold (other than alcoholic beverages, soft
8 drinks, and food that has been prepared for immediate
9 consumption) and prescription and nonprescription medicines,
10 drugs, medical appliances, and insulin, urine testing
11 materials, syringes, and needles used by diabetics, for human
12 use, when purchased for use by a person receiving medical
13 assistance under Article V of the Illinois Public Aid Code who
14 resides in a licensed long-term care facility, as defined in
15 the Nursing Home Care Act, or a licensed facility as defined in
16 the ID/DD Community Care Act or the Specialized Mental Health
17 Rehabilitation Act of 2013.

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

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

8 (38) Beginning on January 1, 2002 and through June 30,
9 2016, tangible personal property purchased from an Illinois
10 retailer by a taxpayer engaged in centralized purchasing
11 activities in Illinois who will, upon receipt of the property
12 in Illinois, temporarily store the property in Illinois (i) for
13 the purpose of subsequently transporting it outside this State
14 for use or consumption thereafter solely outside this State or
15 (ii) for the purpose of being processed, fabricated, or
16 manufactured into, attached to, or incorporated into other
17 tangible personal property to be transported outside this State
18 and thereafter used or consumed solely outside this State. The
19 Director of Revenue shall, pursuant to rules adopted in
20 accordance with the Illinois Administrative Procedure Act,
21 issue a permit to any taxpayer in good standing with the
22 Department who is eligible for the exemption under this
23 paragraph (38). The permit issued under this paragraph (38)
24 shall authorize the holder, to the extent and in the manner
25 specified in the rules adopted under this Act, to purchase
26 tangible personal property from a retailer exempt from the

1 taxes imposed by this Act. Taxpayers shall maintain all
2 necessary books and records to substantiate the use and
3 consumption of all such tangible personal property outside of
4 the State of Illinois.

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

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

1 tangible personal property to persons who modify, refurbish,
2 complete, replace, or maintain an aircraft and who (i) hold an
3 Air Agency Certificate and are empowered to operate an approved
4 repair station by the Federal Aviation Administration, (ii)
5 have a Class IV Rating, and (iii) conduct operations in
6 accordance with Part 145 of the Federal Aviation Regulations.
7 The exemption does not include aircraft operated by a
8 commercial air carrier providing scheduled passenger air
9 service pursuant to authority issued under Part 121 or Part 129
10 of the Federal Aviation Regulations. The changes made to this
11 paragraph (40) by Public Act 98-534 are declarative of existing
12 law.

13 (41) Tangible personal property sold to a
14 public-facilities corporation, as described in Section
15 11-65-10 of the Illinois Municipal Code, for purposes of
16 constructing or furnishing a municipal convention hall, but
17 only if the legal title to the municipal convention hall is
18 transferred to the municipality without any further
19 consideration by or on behalf of the municipality at the time
20 of the completion of the municipal convention hall or upon the
21 retirement or redemption of any bonds or other debt instruments
22 issued by the public-facilities corporation in connection with
23 the development of the municipal convention hall. This
24 exemption includes existing public-facilities corporations as
25 provided in Section 11-65-25 of the Illinois Municipal Code.
26 This paragraph is exempt from the provisions of Section 2-70.

1 (Source: P.A. 97-38, eff. 6-28-11; 97-73, eff. 6-30-11; 97-227,
2 eff. 1-1-12; 97-431, eff. 8-16-11; 97-636, eff. 6-1-12; 97-767,
3 eff. 7-9-12; 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
4 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
5 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14.)

6 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

7 Sec. 2-45. Manufacturing and assembly exemption. The
8 manufacturing and assembly machinery and equipment exemption
9 includes machinery and equipment that replaces machinery and
10 equipment in an existing manufacturing facility as well as
11 machinery and equipment that are for use in an expanded or new
12 manufacturing facility.

13 The machinery and equipment exemption also includes
14 machinery and equipment used in the general maintenance or
15 repair of exempt machinery and equipment or for in-house
16 manufacture of exempt machinery and equipment. Beginning on
17 August 31, 2014, the manufacturing and assembling machinery and
18 equipment exemption also includes graphic arts machinery and
19 equipment, as defined in paragraph (4) of Section 2-5.
20 Beginning on August 31, 2014 and until December 31, 2019, the
21 manufacturing and assembling machinery and equipment exemption
22 also includes production related tangible personal property,
23 as defined in this Section. The machinery and equipment
24 exemption does not include machinery and equipment used in (i)
25 the generation of electricity for wholesale or retail sale;

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

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

1 wholesale or retail sale.

2 (2) "Assembling process" means the production of an
3 article of tangible personal property, whether the article
4 is a finished product or an article for use in the process
5 of manufacturing or assembling a different article of
6 tangible personal property, by the combination of existing
7 materials in a manner commonly regarded as assembling that
8 results in a material of a different form, use, or name.

9 (3) "Machinery" means major mechanical machines or
10 major components of those machines contributing to a
11 manufacturing or assembling process.

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

1 (5) "Production related tangible personal property"
2 means all tangible personal property that is used or
3 consumed by the purchaser in a manufacturing facility in
4 which a manufacturing process takes place and includes,
5 without limitation, tangible personal property that is
6 purchased for incorporation into real estate within a
7 manufacturing facility and tangible personal property that
8 is 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
14 or without a manufacturing facility, in sales, purchasing,
15 accounting, fiscal management, marketing, personnel
16 recruitment or selection, or landscaping or (ii) tangible
17 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 The manufacturing and assembling machinery and equipment
21 exemption includes production related tangible personal
22 property that is purchased (i) on or after July 1, 2007 and on
23 or before June 30, 2008 or (ii) on and after August 31, 2014
24 and on or before December 31, 2019. The exemption for
25 production related tangible personal property purchased on or
26 after July 1, 2007 and on or before June 30, 2008 is subject to

1 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 awarded
12 under this Act and the Use Tax Act to all taxpayers may not
13 exceed \$10,000,000. If the claims for the exemption exceed
14 \$10,000,000, then the Department shall reduce the amount of
15 the exemption to each taxpayer on a pro rata basis.

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

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

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

21 The manufacturing and assembling machinery and equipment
22 exemption, except with respect to production related tangible
23 personal property, is exempt from the provisions of Section
24 2-70.

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

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.".