



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB1228

Introduced 1/28/2025, by Rep. Sonya M. Harper

SYNOPSIS AS INTRODUCED:

35 ILCS 120/2-10
410 ILCS 705/65-10

Amends the Retailers' Occupation Tax Act. In a provision concerning the rate of tax, provides that the definition "prescription and nonprescription medicine and drugs" includes cannabis or cannabis-infused products purchased from a dispensing organization under the Cannabis Regulation and Tax Act by a cardholder under the Compassionate Use of Medical Cannabis Act. Amends the Cannabis Regulation and Tax Act. Provides that the tax imposed under the provisions is not imposed on cannabis-infused product that is subject to tax under the Compassionate Use of Medical Cannabis Program Act or cannabis or cannabis-infused product sold to a cardholder under the Compassionate Use of Medical Cannabis Program Act. Effective January 1, 2027.

LRB104 05834 BDA 15865 b

1 AN ACT concerning revenue.

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

4 Section 5. The Retailers' Occupation Tax Act is amended by
5 changing Section 2-10 as follows:

6 (35 ILCS 120/2-10)

7 Sec. 2-10. Rate of tax. Unless otherwise provided in this
8 Section, the tax imposed by this Act is at the rate of 6.25% of
9 gross receipts from sales, which, on and after January 1,
10 2025, includes leases, of tangible personal property made in
11 the course of business.

12 Beginning on July 1, 2000 and through December 31, 2000,
13 with respect to motor fuel, as defined in Section 1.1 of the
14 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
15 the Use Tax Act, the tax is imposed at the rate of 1.25%.

16 Beginning on August 6, 2010 through August 15, 2010, and
17 beginning again on August 5, 2022 through August 14, 2022,
18 with respect to sales tax holiday items as defined in Section
19 2-8 of this Act, the tax is imposed at the rate of 1.25%.

20 Within 14 days after July 1, 2000 (the effective date of
21 Public Act 91-872), each retailer of motor fuel and gasohol
22 shall cause the following notice to be posted in a prominently
23 visible place on each retail dispensing device that is used to

1 dispense motor fuel or gasohol in the State of Illinois: "As of
2 July 1, 2000, the State of Illinois has eliminated the State's
3 share of sales tax on motor fuel and gasohol through December
4 31, 2000. The price on this pump should reflect the
5 elimination of the tax." The notice shall be printed in bold
6 print on a sign that is no smaller than 4 inches by 8 inches.
7 The sign shall be clearly visible to customers. Any retailer
8 who fails to post or maintain a required sign through December
9 31, 2000 is guilty of a petty offense for which the fine shall
10 be \$500 per day per each retail premises where a violation
11 occurs.

12 With respect to gasohol, as defined in the Use Tax Act, the
13 tax imposed by this Act applies to (i) 70% of the proceeds of
14 sales made on or after January 1, 1990, and before July 1,
15 2003, (ii) 80% of the proceeds of sales made on or after July
16 1, 2003 and on or before July 1, 2017, (iii) 100% of the
17 proceeds of sales made after July 1, 2017 and prior to January
18 1, 2024, (iv) 90% of the proceeds of sales made on or after
19 January 1, 2024 and on or before December 31, 2028, and (v)
20 100% of the proceeds of sales made after December 31, 2028. If,
21 at any time, however, the tax under this Act on sales of
22 gasohol, as defined in the Use Tax Act, is imposed at the rate
23 of 1.25%, then the tax imposed by this Act applies to 100% of
24 the proceeds of sales of gasohol made during that time.

25 With respect to mid-range ethanol blends, as defined in
26 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act

1 applies to (i) 80% of the proceeds of sales made on or after
2 January 1, 2024 and on or before December 31, 2028 and (ii)
3 100% of the proceeds of sales made after December 31, 2028. If,
4 at any time, however, the tax under this Act on sales of
5 mid-range ethanol blends is imposed at the rate of 1.25%, then
6 the tax imposed by this Act applies to 100% of the proceeds of
7 sales of mid-range ethanol blends made during that time.

8 With respect to majority blended ethanol fuel, as defined
9 in the Use Tax Act, the tax imposed by this Act does not apply
10 to the proceeds of sales made on or after July 1, 2003 and on
11 or before December 31, 2028 but applies to 100% of the proceeds
12 of sales made thereafter.

13 With respect to biodiesel blends, as defined in the Use
14 Tax Act, with no less than 1% and no more than 10% biodiesel,
15 the tax imposed by this Act applies to (i) 80% of the proceeds
16 of sales made on or after July 1, 2003 and on or before
17 December 31, 2018 and (ii) 100% of the proceeds of sales made
18 after December 31, 2018 and before January 1, 2024. On and
19 after January 1, 2024 and on or before December 31, 2030, the
20 taxation of biodiesel, renewable diesel, and biodiesel blends
21 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
22 at any time, however, the tax under this Act on sales of
23 biodiesel blends, as defined in the Use Tax Act, with no less
24 than 1% and no more than 10% biodiesel is imposed at the rate
25 of 1.25%, then the tax imposed by this Act applies to 100% of
26 the proceeds of sales of biodiesel blends with no less than 1%

1 and no more than 10% biodiesel made during that time.

2 With respect to biodiesel, as defined in the Use Tax Act,
3 and biodiesel blends, as defined in the Use Tax Act, with more
4 than 10% but no more than 99% biodiesel, the tax imposed by
5 this Act does not apply to the proceeds of sales made on or
6 after July 1, 2003 and on or before December 31, 2023. On and
7 after January 1, 2024 and on or before December 31, 2030, the
8 taxation of biodiesel, renewable diesel, and biodiesel blends
9 shall be as provided in Section 3-5.1 of the Use Tax Act.

10 Until July 1, 2022 and from July 1, 2023 through December
11 31, 2025, with respect to food for human consumption that is to
12 be consumed off the premises where it is sold (other than
13 alcoholic beverages, food consisting of or infused with adult
14 use cannabis, soft drinks, and food that has been prepared for
15 immediate consumption), the tax is imposed at the rate of 1%.
16 Beginning July 1, 2022 and until July 1, 2023, with respect to
17 food for human consumption that is to be consumed off the
18 premises where it is sold (other than alcoholic beverages,
19 food consisting of or infused with adult use cannabis, soft
20 drinks, and food that has been prepared for immediate
21 consumption), the tax is imposed at the rate of 0%. On and
22 after January 1, 2026, food for human consumption that is to be
23 consumed off the premises where it is sold (other than
24 alcoholic beverages, food consisting of or infused with adult
25 use cannabis, soft drinks, candy, and food that has been
26 prepared for immediate consumption) is exempt from the tax

1 imposed by this Act.

2 With respect to prescription and nonprescription
3 medicines, drugs, medical appliances, products classified as
4 Class III medical devices by the United States Food and Drug
5 Administration that are used for cancer treatment pursuant to
6 a prescription, as well as any accessories and components
7 related to those devices, modifications to a motor vehicle for
8 the purpose of rendering it usable by a person with a
9 disability, and insulin, blood sugar testing materials,
10 syringes, and needles used by human diabetics, the tax is
11 imposed at the rate of 1%. For the purposes of this Section,
12 until September 1, 2009: the term "soft drinks" means any
13 complete, finished, ready-to-use, non-alcoholic drink, whether
14 carbonated or not, including, but not limited to, soda water,
15 cola, fruit juice, vegetable juice, carbonated water, and all
16 other preparations commonly known as soft drinks of whatever
17 kind or description that are contained in any closed or sealed
18 bottle, can, carton, or container, regardless of size; but
19 "soft drinks" does not include coffee, tea, non-carbonated
20 water, infant formula, milk or milk products as defined in the
21 Grade A Pasteurized Milk and Milk Products Act, or drinks
22 containing 50% or more natural fruit or vegetable juice.

23 Notwithstanding any other provisions of this Act,
24 beginning September 1, 2009, "soft drinks" means non-alcoholic
25 beverages that contain natural or artificial sweeteners. "Soft
26 drinks" does not include beverages that contain milk or milk

1 products, soy, rice or similar milk substitutes, or greater
2 than 50% of vegetable or fruit juice by volume.

3 Until August 1, 2009, and notwithstanding any other
4 provisions of this Act, "food for human consumption that is to
5 be consumed off the premises where it is sold" includes all
6 food sold through a vending machine, except soft drinks and
7 food products that are dispensed hot from a vending machine,
8 regardless of the location of the vending machine. Beginning
9 August 1, 2009, and notwithstanding any other provisions of
10 this Act, "food for human consumption that is to be consumed
11 off the premises where it is sold" includes all food sold
12 through a vending machine, except soft drinks, candy, and food
13 products that are dispensed hot from a vending machine,
14 regardless of the location of the vending machine.

15 Notwithstanding any other provisions of this Act,
16 beginning September 1, 2009, "food for human consumption that
17 is to be consumed off the premises where it is sold" does not
18 include candy. For purposes of this Section, "candy" means a
19 preparation of sugar, honey, or other natural or artificial
20 sweeteners in combination with chocolate, fruits, nuts or
21 other ingredients or flavorings in the form of bars, drops, or
22 pieces. "Candy" does not include any preparation that contains
23 flour or requires refrigeration.

24 Notwithstanding any other provisions of this Act,
25 beginning September 1, 2009, "nonprescription medicines and
26 drugs" does not include grooming and hygiene products. For

1 purposes of this Section, "grooming and hygiene products"
2 includes, but is not limited to, soaps and cleaning solutions,
3 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
4 lotions and screens, unless those products are available by
5 prescription only, regardless of whether the products meet the
6 definition of "over-the-counter-drugs". For the purposes of
7 this paragraph, "over-the-counter-drug" means a drug for human
8 use that contains a label that identifies the product as a drug
9 as required by 21 CFR 201.66. The "over-the-counter-drug"
10 label includes:

11 (A) a "Drug Facts" panel; or

12 (B) a statement of the "active ingredient(s)" with a
13 list of those ingredients contained in the compound,
14 substance or preparation.

15 Beginning on January 1, 2014 (the effective date of Public
16 Act 98-122), "prescription and nonprescription medicines and
17 drugs" includes medical cannabis purchased from a registered
18 dispensing organization under the Compassionate Use of Medical
19 Cannabis Program Act.

20 Beginning on January 1, 2027, "prescription and
21 nonprescription medicine and drugs" includes cannabis or
22 cannabis-infused products purchased from a dispensing
23 organization under the Cannabis Regulation and Tax Act by a
24 cardholder, as defined under Section 10 of the Compassionate
25 Use of Medical Cannabis Act.

26 As used in this Section, "adult use cannabis" means

1 cannabis subject to tax under the Cannabis Cultivation
2 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
3 and does not include cannabis or cannabis-infused product sold
4 to a cardholder, as defined under Section 10 of the
5 Compassionate Use of Medical Cannabis Act ~~subject to tax under~~
6 ~~the Compassionate Use of Medical Cannabis Program Act.~~

7 (Source: P.A. 102-4, eff. 4-27-21; 102-700, Article 20,
8 Section 20-20, eff. 4-19-22; 102-700, Article 60, Section
9 60-30, eff. 4-19-22; 102-700, Article 65, Section 65-10, eff.
10 4-19-22; 103-9, eff. 6-7-23; 103-154, eff. 6-30-23; 103-592,
11 eff. 1-1-25; 103-781, eff. 8-5-24; revised 11-26-24.)

12 Section 10. The Cannabis Regulation and Tax Act is amended
13 by changing Section 65-10 as follows:

14 (410 ILCS 705/65-10)

15 Sec. 65-10. Tax imposed.

16 (a) Beginning January 1, 2020, a tax is imposed upon
17 purchasers for the privilege of using cannabis at the
18 following rates:

19 (1) Any cannabis, other than a cannabis-infused
20 product, with an adjusted delta-9-tetrahydrocannabinol
21 level at or below 35% shall be taxed at a rate of 10% of
22 the purchase price;

23 (2) Any cannabis, other than a cannabis-infused
24 product, with an adjusted delta-9-tetrahydrocannabinol

1 level above 35% shall be taxed at a rate of 25% of the
2 purchase price; and

3 (3) A cannabis-infused product shall be taxed at a
4 rate of 20% of the purchase price.

5 (b) The purchase of any product that contains any amount
6 of cannabis or any derivative thereof is subject to the tax
7 under subsection (a) of this Section on the full purchase
8 price of the product.

9 (c) The tax imposed under this Section is not imposed on
10 cannabis or cannabis-infused product that is subject to tax
11 under the Compassionate Use of Medical Cannabis Program Act or
12 on cannabis or cannabis-infused product sold to a cardholder,
13 as defined under Section 10 of the Compassionate Use of
14 Medical Cannabis Program Act. The tax imposed by this Section
15 is not imposed with respect to any transaction in interstate
16 commerce, to the extent the transaction may not, under the
17 Constitution and statutes of the United States, be made the
18 subject of taxation by this State.

19 (d) The tax imposed under this Article shall be in
20 addition to all other occupation, privilege, or excise taxes
21 imposed by the State of Illinois or by any municipal
22 corporation or political subdivision thereof.

23 (e) The tax imposed under this Article shall not be
24 imposed on any purchase by a purchaser if the cannabis
25 retailer is prohibited by federal or State Constitution,
26 treaty, convention, statute, or court decision from collecting

1 the tax from the purchaser.

2 (Source: P.A. 101-27, eff. 6-25-19; 101-593, eff. 12-4-19.)

3 Section 99. Effective date. This Act takes effect January
4 1, 2027.