

SB3932



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3932

Introduced 2/6/2026, by Sen. Terri Bryant

SYNOPSIS AS INTRODUCED:

35 ILCS 115/3-10

Amends the Service Occupation Tax Act. Provides that, if a pharmacy, pharmacist, or durable medical equipment provider, submits a claim to a third party payer for the sale of covered tangible personal property, then the third-party payer wholly assumes the responsibility of the serviceman to remit the tax to the State for any claim that is paid, reimbursed, or remunerated to the pharmacy, pharmacist, or durable medical equipment provider.

LRB104 19452 HLH 32900 b

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Service Occupation Tax Act is amended by
5 changing Section 3-10 as follows:

6 (35 ILCS 115/3-10)

7 Sec. 3-10. 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 the "selling price", as defined in Section 2 of the Service Use
10 Tax Act, of the tangible personal property, including, on and
11 after January 1, 2025, tangible personal property transferred
12 by lease. For the purpose of computing this tax, in no event
13 shall the "selling price" be less than the cost price to the
14 serviceman of the tangible personal property transferred. The
15 selling price of each item of tangible personal property
16 transferred as an incident of a sale of service may be shown as
17 a distinct and separate item on the serviceman's billing to
18 the service customer. If the selling price is not so shown, the
19 selling price of the tangible personal property is deemed to
20 be 50% of the serviceman's entire billing to the service
21 customer. When, however, a serviceman contracts to design,
22 develop, and produce special order machinery or equipment, the
23 tax imposed by this Act shall be based on the serviceman's cost

1 price of the tangible personal property transferred incident
2 to the completion of the contract.

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

7 With respect to gasohol, as defined in the Use Tax Act, the
8 tax imposed by this Act shall apply to (i) 70% of the cost
9 price of property transferred as an incident to the sale of
10 service on or after January 1, 1990, and before July 1, 2003,
11 (ii) 80% of the selling price of property transferred as an
12 incident to the sale of service on or after July 1, 2003 and on
13 or before July 1, 2017, (iii) 100% of the selling price of
14 property transferred as an incident to the sale of service
15 after July 1, 2017 and prior to January 1, 2024, (iv) 90% of
16 the selling price of property transferred as an incident to
17 the sale of service on or after January 1, 2024 and on or
18 before December 31, 2028, and (v) 100% of the selling price of
19 property transferred as an incident to the sale of service
20 after December 31, 2028. If, at any time, however, the tax
21 under this Act on sales of gasohol, as defined in the Use Tax
22 Act, is imposed at the rate of 1.25%, then the tax imposed by
23 this Act applies to 100% of the proceeds of sales of gasohol
24 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 selling price of property
2 transferred as an incident to the sale of service on or after
3 January 1, 2024 and on or before December 31, 2028 and (ii)
4 100% of the selling price of property transferred as an
5 incident to the sale of service after December 31, 2028. If, at
6 any time, however, the tax under this Act on sales of mid-range
7 ethanol blends is imposed at the rate of 1.25%, then the tax
8 imposed by this Act applies to 100% of the selling price of
9 mid-range ethanol blends transferred as an incident to the
10 sale of service during that time.

11 With respect to majority blended ethanol fuel, as defined
12 in the Use Tax Act, the tax imposed by this Act does not apply
13 to the selling price of property transferred as an incident to
14 the sale of service on or after July 1, 2003 and on or before
15 December 31, 2028 but applies to 100% of the selling price
16 thereafter.

17 With respect to biodiesel blends, as defined in the Use
18 Tax Act, with no less than 1% and no more than 10% biodiesel,
19 the tax imposed by this Act applies to (i) 80% of the selling
20 price of property transferred as an incident to the sale of
21 service on or after July 1, 2003 and on or before December 31,
22 2018 and (ii) 100% of the proceeds of the selling price after
23 December 31, 2018 and before January 1, 2024. On and after
24 January 1, 2024 and on or before December 31, 2030, the
25 taxation of biodiesel, renewable diesel, and biodiesel blends
26 shall be as provided in Section 3-5.1 of the Use Tax Act. If,

1 at any time, however, the tax under this Act on sales of
2 biodiesel blends, as defined in the Use Tax Act, with no less
3 than 1% and no more than 10% biodiesel is imposed at the rate
4 of 1.25%, then the tax imposed by this Act applies to 100% of
5 the proceeds of sales of biodiesel blends with no less than 1%
6 and no more than 10% biodiesel made during that time.

7 With respect to biodiesel, as defined in the Use Tax Act,
8 and biodiesel blends, as defined in the Use Tax Act, with more
9 than 10% but no more than 99% biodiesel material, the tax
10 imposed by this Act does not apply to the proceeds of the
11 selling price of property transferred as an incident to the
12 sale of service on or after July 1, 2003 and on or before
13 December 31, 2023. On and after January 1, 2024 and on or
14 before December 31, 2030, the taxation of biodiesel, renewable
15 diesel, and biodiesel blends shall be as provided in Section
16 3-5.1 of the Use Tax Act.

17 At the election of any registered serviceman made for each
18 fiscal year, for whom the aggregate annual cost price of
19 tangible personal property transferred as an incident to the
20 sales of service is less than 35%, or 75% in the case of
21 servicemen transferring prescription drugs or servicemen
22 engaged in graphic arts production, of the aggregate annual
23 total gross receipts from all sales of service, the tax
24 imposed by this Act shall be based on the serviceman's cost
25 price of the tangible personal property transferred incident
26 to the sale of those services. This election may also be made

1 by a serviceman maintaining a place of business in this State
2 who makes retail sales from outside of this State to Illinois
3 customers but is not required to be registered under Section
4 2a of the Retailers' Occupation Tax Act. Beginning January 1,
5 2026, this election shall not apply to any sale of service made
6 through a marketplace that has met the threshold in subsection
7 (d) of Section 3 of this Act.

8 Beginning January 1, 2026, the tax shall be imposed at the
9 rate of 6.25% of 50% of the entire billing to the service
10 customer for all sales of service made through a marketplace
11 that has met the threshold in subsection (d) of Section 3 of
12 this Act. In no event shall 50% of the entire billing be less
13 than the cost price of the property to the marketplace
14 serviceman or the marketplace facilitator on its own sales of
15 service.

16 Until July 1, 2022 and from July 1, 2023 through December
17 31, 2025, the tax shall be imposed at the rate of 1% on food
18 prepared for immediate consumption and transferred incident to
19 a sale of service subject to this Act or the Service Use Tax
20 Act by an entity licensed under the Hospital Licensing Act,
21 the Nursing Home Care Act, the Assisted Living and Shared
22 Housing Act, the ID/DD Community Care Act, the MC/DD Act, the
23 Specialized Mental Health Rehabilitation Act of 2013, or the
24 Child Care Act of 1969, or an entity that holds a permit issued
25 pursuant to the Life Care Facilities Act. Until July 1, 2022
26 and from July 1, 2023 through December 31, 2025, the tax shall

1 also be imposed at the rate of 1% on food for human consumption
2 that is to be consumed off the premises where it is sold (other
3 than alcoholic beverages, food consisting of or infused with
4 adult use cannabis, soft drinks, and food that has been
5 prepared for immediate consumption and is not otherwise
6 included in this paragraph).

7 Beginning on July 1, 2022 and until July 1, 2023, the tax
8 shall be imposed at the rate of 0% on food prepared for
9 immediate consumption and transferred incident to a sale of
10 service subject to this Act or the Service Use Tax Act by an
11 entity licensed under the Hospital Licensing Act, the Nursing
12 Home Care Act, the Assisted Living and Shared Housing Act, the
13 ID/DD Community Care Act, the MC/DD Act, the Specialized
14 Mental Health Rehabilitation Act of 2013, or the Child Care
15 Act of 1969, or an entity that holds a permit issued pursuant
16 to the Life Care Facilities Act. Beginning July 1, 2022 and
17 until July 1, 2023, the tax shall also be imposed at the rate
18 of 0% on food for human consumption that is to be consumed off
19 the premises where it is sold (other than alcoholic beverages,
20 food consisting of or infused with adult use cannabis, soft
21 drinks, and food that has been prepared for immediate
22 consumption and is not otherwise included in this paragraph).

23 On and after January 1, 2026, food prepared for immediate
24 consumption and transferred incident to a sale of service
25 subject to this Act or the Service Use Tax Act by an entity
26 licensed under the Hospital Licensing Act, the Nursing Home

1 Care Act, the Assisted Living and Shared Housing Act, the
2 ID/DD Community Care Act, the MC/DD Act, the Specialized
3 Mental Health Rehabilitation Act of 2013, or the Child Care
4 Act of 1969, or an entity that holds a permit issued pursuant
5 to the Life Care Facilities Act is exempt from the tax imposed
6 by this Act. On and after January 1, 2026, food for human
7 consumption that is to be consumed off the premises where it is
8 sold (other than alcoholic beverages, food consisting of or
9 infused with adult use cannabis, soft drinks, candy, and food
10 that has been prepared for immediate consumption and is not
11 otherwise included in this paragraph) is exempt from the tax
12 imposed by this Act.

13 The tax shall be imposed at the rate of 1% on prescription
14 and nonprescription medicines, drugs, medical appliances,
15 products classified as Class III medical devices by the United
16 States Food and Drug Administration that are used for cancer
17 treatment pursuant to a prescription, as well as any
18 accessories and components related to those devices,
19 modifications to a motor vehicle for the purpose of rendering
20 it usable by a person with a disability, and insulin, blood
21 sugar testing materials, syringes, and needles used by human
22 diabetics. For the purposes of this Section, until September
23 1, 2009: the term "soft drinks" means any complete, finished,
24 ready-to-use, non-alcoholic drink, whether carbonated or not,
25 including, but not limited to, soda water, cola, fruit juice,
26 vegetable juice, carbonated water, and all other preparations

1 commonly known as soft drinks of whatever kind or description
2 that are contained in any closed or sealed can, carton, or
3 container, regardless of size; but "soft drinks" does not
4 include coffee, tea, non-carbonated water, infant formula,
5 milk or milk products as defined in the Grade A Pasteurized
6 Milk and Milk Products Act, or drinks containing 50% or more
7 natural fruit or vegetable juice.

8 When a pharmacy, pharmacist, or durable medical equipment
9 provider, acting as a serviceman, submits a claim to a
10 third-party payer, including a pharmacy benefit manager, a
11 health plan, or a Medicare Administrative Contractor, for the
12 sale of covered tangible personal property, the third-party
13 payer wholly assumes the responsibility of the serviceman to
14 remit the tax to the State in accordance with this Section for
15 any claim that is paid, reimbursed, or remunerated to the
16 pharmacy, pharmacist, or durable medical equipment provider.
17 As used in this paragraph, "covered tangible personal
18 property" means prescription or nonprescription medicines,
19 drugs, medical appliances, products classified as Class III
20 medical devices by the United States Food and Drug
21 Administration that are used for cancer treatment pursuant to
22 a prescription, as well as any accessories and components
23 related to those devices, insulin, blood sugar testing
24 materials, syringes, and needles.

25 Notwithstanding any other provisions of this Act,
26 beginning September 1, 2009, "soft drinks" means non-alcoholic

1 beverages that contain natural or artificial sweeteners. "Soft
2 drinks" does not include beverages that contain milk or milk
3 products, soy, rice or similar milk substitutes, or greater
4 than 50% of vegetable or fruit juice by volume.

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

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

26 Notwithstanding any other provisions of this Act,

1 beginning September 1, 2009, "nonprescription medicines and
2 drugs" does not include grooming and hygiene products. For
3 purposes of this Section, "grooming and hygiene products"
4 includes, but is not limited to, soaps and cleaning solutions,
5 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
6 lotions and screens, unless those products are available by
7 prescription only, regardless of whether the products meet the
8 definition of "over-the-counter-drugs". For the purposes of
9 this paragraph, "over-the-counter-drug" means a drug for human
10 use that contains a label that identifies the product as a drug
11 as required by 21 CFR 201.66. The "over-the-counter-drug"
12 label includes:

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

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

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

22 As used in this Section, "adult use cannabis" means
23 cannabis subject to tax under the Cannabis Cultivation
24 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
25 and does not include cannabis subject to tax under the
26 Compassionate Use of Medical Cannabis Program Act.

1 (Source: P.A. 103-9, eff. 6-7-23; 103-154, eff. 6-30-23;
2 103-592, eff. 1-1-25; 103-781, eff. 8-5-24; 104-6, eff.
3 6-16-25; 104-417, eff. 8-15-25.)