



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB4696

by Rep. David S. Olsen

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5
35 ILCS 105/3-10
35 ILCS 110/3-5
35 ILCS 110/3-10 from Ch. 120, par. 439.33-10
35 ILCS 115/3-5
35 ILCS 115/3-10 from Ch. 120, par. 439.103-10
35 ILCS 120/2-5
35 ILCS 120/2-10

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that, beginning on January 1, 2019, the tax is not imposed on prescription medicines or prescription drugs. Effective immediately.

LRB100 17148 HLH 32302 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Use Tax Act is amended by changing Sections
5 3-5 and 3-10 as follows:

6 (35 ILCS 105/3-5)

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

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

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

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

1 support of arts or cultural programming, activities, or
2 services. These organizations include, but are not limited to,
3 music and dramatic arts organizations such as symphony
4 orchestras and theatrical groups, arts and cultural service
5 organizations, local arts councils, visual arts organizations,
6 and media arts organizations. On and after July 1, 2001 (the
7 effective date of Public Act 92-35) ~~this amendatory Act of the~~
8 ~~92nd General Assembly~~, however, an entity otherwise eligible
9 for this exemption shall not make tax-free purchases unless it
10 has an active identification number issued by the Department.

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

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

1 the car is subject to the Replacement Vehicle Tax.

2 (6) Until July 1, 2003 and beginning again on September 1,
3 2004 through August 30, 2014, graphic arts machinery and
4 equipment, including repair and replacement parts, both new and
5 used, and including that manufactured on special order,
6 certified by the purchaser to be used primarily for graphic
7 arts production, and including machinery and equipment
8 purchased for lease. Equipment includes chemicals or chemicals
9 acting as catalysts but only if the chemicals or chemicals
10 acting as catalysts effect a direct and immediate change upon a
11 graphic arts product. Beginning on July 1, 2017, graphic arts
12 machinery and equipment is included in the manufacturing and
13 assembling machinery and equipment exemption under paragraph
14 (18).

15 (7) Farm chemicals.

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

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

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

26 (11) Farm machinery and equipment, both new and used,

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

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

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

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

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

26 (13) Proceeds of mandatory service charges separately

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

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

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

22 (16) Coal and aggregate exploration, mining, off-highway
23 hauling, processing, maintenance, and reclamation equipment,
24 including replacement parts and equipment, and including
25 equipment purchased for lease, but excluding motor vehicles
26 required to be registered under the Illinois Vehicle Code. The

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

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

13 (18) Manufacturing and assembling machinery and equipment
14 used primarily in the process of manufacturing or assembling
15 tangible personal property for wholesale or retail sale or
16 lease, whether that sale or lease is made directly by the
17 manufacturer or by some other person, whether the materials
18 used in the process are owned by the manufacturer or some other
19 person, or whether that sale or lease is made apart from or as
20 an incident to the seller's engaging in the service occupation
21 of producing machines, tools, dies, jigs, patterns, gauges, or
22 other similar items of no commercial value on special order for
23 a particular purchaser. The exemption provided by this
24 paragraph (18) does not include machinery and equipment used in
25 (i) the generation of electricity for wholesale or retail sale;
26 (ii) the generation or treatment of natural or artificial gas

1 for wholesale or retail sale that is delivered to customers
2 through pipes, pipelines, or mains; or (iii) the treatment of
3 water for wholesale or retail sale that is delivered to
4 customers through pipes, pipelines, or mains. The provisions of
5 Public Act 98-583 are declaratory of existing law as to the
6 meaning and scope of this exemption. Beginning on July 1, 2017,
7 the exemption provided by this paragraph (18) includes, but is
8 not limited to, graphic arts machinery and equipment, as
9 defined in paragraph (6) of this Section.

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

15 (20) Semen used for artificial insemination of livestock
16 for direct agricultural production.

17 (21) Horses, or interests in horses, registered with and
18 meeting the requirements of any of the Arabian Horse Club
19 Registry of America, Appaloosa Horse Club, American Quarter
20 Horse Association, United States Trotting Association, or
21 Jockey Club, as appropriate, used for purposes of breeding or
22 racing for prizes. This item (21) is exempt from the provisions
23 of Section 3-90, and the exemption provided for under this item
24 (21) applies for all periods beginning May 30, 1995, but no
25 claim for credit or refund is allowed on or after January 1,
26 2008 for such taxes paid during the period beginning May 30,

1 2000 and ending on January 1, 2008.

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

25 (23) Personal property purchased by a lessor who leases the
26 property, under a lease of one year or longer executed or in

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

19 (24) Beginning with taxable years ending on or after
20 December 31, 1995 and ending with taxable years ending on or
21 before December 31, 2004, personal property that is donated for
22 disaster relief to be used in a State or federally declared
23 disaster area in Illinois or bordering Illinois by a
24 manufacturer or retailer that is registered in this State to a
25 corporation, society, association, foundation, or institution
26 that has been issued a sales tax exemption identification

1 number by the Department that assists victims of the disaster
2 who reside within the declared disaster area.

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

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

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

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

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

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

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

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

22 (31) Beginning on August 2, 2001 (the effective date of
23 Public Act 92-227) ~~this amendatory Act of the 92nd General~~
24 ~~Assembly~~, computers and communications equipment utilized for
25 any hospital purpose and equipment used in the diagnosis,
26 analysis, or treatment of hospital patients purchased by a

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

22 (32) Beginning on August 2, 2001 (the effective date of
23 Public Act 92-227) ~~this amendatory Act of the 92nd General~~
24 ~~Assembly~~, personal property purchased by a lessor who leases
25 the property, under a lease of one year or longer executed or
26 in effect at the time the lessor would otherwise be subject to

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

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

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

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

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

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

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

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

8 (37) Beginning January 1, 2017, menstrual pads, tampons,
9 and menstrual cups.

10 (38) Merchandise that is subject to the Rental Purchase
11 Agreement Occupation and Use Tax. The purchaser must certify
12 that the item is purchased to be rented subject to a rental
13 purchase agreement, as defined in the Rental Purchase Agreement
14 Act, and provide proof of registration under the Rental
15 Purchase Agreement Occupation and Use Tax Act. This paragraph
16 is exempt from the provisions of Section 3-90.

17 (39) Beginning January 1, 2019, prescription medicines and
18 prescription drugs. This paragraph is exempt from the
19 provisions of Section 3-90.

20 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;
21 100-22, eff. 7-6-17; 100-437, eff. 1-1-18; revised 9-27-17.)

22 (35 ILCS 105/3-10)

23 Sec. 3-10. Rate of tax. Unless otherwise provided in this
24 Section, the tax imposed by this Act is at the rate of 6.25% of
25 either the selling price or the fair market value, if any, of

1 the tangible personal property. In all cases where property
2 functionally used or consumed is the same as the property that
3 was purchased at retail, then the tax is imposed on the selling
4 price of the property. In all cases where property functionally
5 used or consumed is a by-product or waste product that has been
6 refined, manufactured, or produced from property purchased at
7 retail, then the tax is imposed on the lower of the fair market
8 value, if any, of the specific property so used in this State
9 or on the selling price of the property purchased at retail.
10 For purposes of this Section "fair market value" means the
11 price at which property would change hands between a willing
12 buyer and a willing seller, neither being under any compulsion
13 to buy or sell and both having reasonable knowledge of the
14 relevant facts. The fair market value shall be established by
15 Illinois sales by the taxpayer of the same property as that
16 functionally used or consumed, or if there are no such sales by
17 the taxpayer, then comparable sales or purchases of property of
18 like kind and character in Illinois.

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

23 Beginning on August 6, 2010 through August 15, 2010, with
24 respect to sales tax holiday items as defined in Section 3-6 of
25 this Act, the tax is imposed at the rate of 1.25%.

26 With respect to gasohol, the tax imposed by this Act

1 applies to (i) 70% of the proceeds of sales made on or after
2 January 1, 1990, and before July 1, 2003, (ii) 80% of the
3 proceeds of sales made on or after July 1, 2003 and on or
4 before July 1, 2017, and (iii) 100% of the proceeds of sales
5 made thereafter. If, at any time, however, the tax under this
6 Act on sales of gasohol is imposed at the rate of 1.25%, then
7 the tax imposed by this Act applies to 100% of the proceeds of
8 sales of gasohol made during that time.

9 With respect to majority blended ethanol fuel, the tax
10 imposed by this Act does not apply to the proceeds of sales
11 made on or after July 1, 2003 and on or before December 31,
12 2023 but applies to 100% of the proceeds of sales made
13 thereafter.

14 With respect to biodiesel blends with no less than 1% and
15 no more than 10% biodiesel, the tax imposed by this Act applies
16 to (i) 80% of the proceeds of sales made on or after July 1,
17 2003 and on or before December 31, 2018 and (ii) 100% of the
18 proceeds of sales made thereafter. If, at any time, however,
19 the tax under this Act on sales of biodiesel blends with no
20 less than 1% and no more than 10% biodiesel is imposed at the
21 rate of 1.25%, then the tax imposed by this Act applies to 100%
22 of the proceeds of sales of biodiesel blends with no less than
23 1% and no more than 10% biodiesel made during that time.

24 With respect to 100% biodiesel and biodiesel blends with
25 more than 10% but no more than 99% biodiesel, the tax imposed
26 by this Act does not apply to the proceeds of sales made on or

1 after July 1, 2003 and on or before December 31, 2023 but
2 applies to 100% of the proceeds of sales made thereafter.

3 With respect to food for human consumption that is to be
4 consumed off the premises where it is sold (other than
5 alcoholic beverages, soft drinks, and food that has been
6 prepared for immediate consumption) and prescription and
7 nonprescription medicines, drugs, medical appliances, products
8 classified as Class III medical devices by the United States
9 Food and Drug Administration that are used for cancer treatment
10 pursuant to a prescription, as well as any accessories and
11 components related to those devices, modifications to a motor
12 vehicle for the purpose of rendering it usable by a person with
13 a disability, and insulin, urine testing materials, syringes,
14 and needles used by diabetics, for human use, the tax is
15 imposed at the rate of 1%; provided that, beginning on January
16 1, 2019, no tax shall be imposed on prescription medicines or
17 prescription drugs. For the purposes of this Section, until
18 September 1, 2009: the term "soft drinks" means any complete,
19 finished, ready-to-use, non-alcoholic drink, whether
20 carbonated or not, including but not limited to soda water,
21 cola, fruit juice, vegetable juice, carbonated water, and all
22 other preparations commonly known as soft drinks of whatever
23 kind or description that are contained in any closed or sealed
24 bottle, can, carton, or container, regardless of size; but
25 "soft drinks" does not include coffee, tea, non-carbonated
26 water, infant formula, milk or milk products as defined in the

1 Grade A Pasteurized Milk and Milk Products Act, or drinks
2 containing 50% or more natural fruit or vegetable juice.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "soft drinks" means non-alcoholic
5 beverages that contain natural or artificial sweeteners. "Soft
6 drinks" do not include beverages that contain milk or milk
7 products, soy, rice or similar milk substitutes, or greater
8 than 50% of vegetable or fruit juice by volume.

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

21 Notwithstanding any other provisions of this Act,
22 beginning September 1, 2009, "food for human consumption that
23 is to be consumed off the premises where it is sold" does not
24 include candy. For purposes of this Section, "candy" means a
25 preparation of sugar, honey, or other natural or artificial
26 sweeteners in combination with chocolate, fruits, nuts or other

1 ingredients or flavorings in the form of bars, drops, or
2 pieces. "Candy" does not include any preparation that contains
3 flour or requires refrigeration.

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

17 (A) A "Drug Facts" panel; or

18 (B) A statement of the "active ingredient(s)" with a
19 list of those ingredients contained in the compound,
20 substance or preparation.

21 Beginning on the effective date of this amendatory Act of
22 the 98th General Assembly, "prescription and nonprescription
23 medicines and drugs" includes medical cannabis purchased from a
24 registered dispensing organization under the Compassionate Use
25 of Medical Cannabis Pilot Program Act.

26 If the property that is purchased at retail from a retailer

1 is acquired outside Illinois and used outside Illinois before
2 being brought to Illinois for use here and is taxable under
3 this Act, the "selling price" on which the tax is computed
4 shall be reduced by an amount that represents a reasonable
5 allowance for depreciation for the period of prior out-of-state
6 use.

7 (Source: P.A. 99-143, eff. 7-27-15; 99-858, eff. 8-19-16;
8 100-22, eff. 7-6-17.)

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

11 (35 ILCS 110/3-5)

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

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

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

24 (3) Personal property purchased by a not-for-profit arts or

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

15 (4) 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 (5) Until July 1, 2003 and beginning again on September 1,
20 2004 through August 30, 2014, graphic arts machinery and
21 equipment, including repair and replacement parts, both new and
22 used, and including that manufactured on special order or
23 purchased for lease, certified by the purchaser to be used
24 primarily for graphic arts production. Equipment includes
25 chemicals or chemicals acting as catalysts but only if the
26 chemicals or chemicals acting as catalysts effect a direct and

1 immediate change upon a graphic arts product. Beginning on July
2 1, 2017, graphic arts machinery and equipment is included in
3 the manufacturing and assembling machinery and equipment
4 exemption under Section 2 of this Act.

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

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

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

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

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

24 Beginning July 1, 2013, fuel and petroleum products sold to
25 or used by an air carrier, certified by the carrier to be used
26 for consumption, shipment, or storage in the conduct of its

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

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

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

26 (11) Proceeds from the sale of photoprocessing machinery

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

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

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

19 (14) Horses, or interests in horses, registered with and
20 meeting the requirements of any of the Arabian Horse Club
21 Registry of America, Appaloosa Horse Club, American Quarter
22 Horse Association, United States Trotting Association, or
23 Jockey Club, as appropriate, used for purposes of breeding or
24 racing for prizes. This item (14) is exempt from the provisions
25 of Section 3-75, and the exemption provided for under this item
26 (14) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after the effective
2 date of this amendatory Act of the 95th General Assembly for
3 such taxes paid during the period beginning May 30, 2000 and
4 ending on the effective date of this amendatory Act of the 95th
5 General Assembly.

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

1 liable to pay that amount to the Department.

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

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

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

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

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

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

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

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

1 exempt from the provisions of Section 3-75.

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

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

25 (24) Beginning on the effective date of this amendatory Act
26 of the 92nd General Assembly, computers and communications

1 equipment utilized for any hospital purpose and equipment used
2 in the diagnosis, analysis, or treatment of hospital patients
3 purchased by a lessor who leases the equipment, under a lease
4 of one year or longer executed or in effect at the time the
5 lessor would otherwise be subject to the tax imposed by this
6 Act, to a hospital 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 equipment 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 (25) Beginning on the effective date of this amendatory Act
24 of the 92nd General Assembly, personal property purchased by a
25 lessor who leases the property, under a lease of one year or
26 longer executed or in effect at the time the lessor would

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

19 (26) Beginning January 1, 2008, tangible personal property
20 used in the construction or maintenance of a community water
21 supply, as defined under Section 3.145 of the Environmental
22 Protection Act, that is operated by a not-for-profit
23 corporation that holds a valid water supply permit issued under
24 Title IV of the Environmental Protection Act. This paragraph is
25 exempt from the provisions of Section 3-75.

26 (27) Beginning January 1, 2010, materials, parts,

1 equipment, components, and furnishings incorporated into or
2 upon an aircraft as part of the modification, refurbishment,
3 completion, replacement, repair, or maintenance of the
4 aircraft. This exemption includes consumable supplies used in
5 the modification, refurbishment, completion, replacement,
6 repair, and maintenance of aircraft, but excludes any
7 materials, parts, equipment, components, and consumable
8 supplies used in the modification, replacement, repair, and
9 maintenance of aircraft engines or power plants, whether such
10 engines or power plants are installed or uninstalled upon any
11 such aircraft. "Consumable supplies" include, but are not
12 limited to, adhesive, tape, sandpaper, general purpose
13 lubricants, cleaning solution, latex gloves, and protective
14 films. This exemption applies only to the use of qualifying
15 tangible personal property transferred incident to the
16 modification, refurbishment, completion, replacement, repair,
17 or maintenance of aircraft by persons who (i) hold an Air
18 Agency Certificate and are empowered to operate an approved
19 repair station by the Federal Aviation Administration, (ii)
20 have a Class IV Rating, and (iii) conduct operations in
21 accordance with Part 145 of the Federal Aviation Regulations.
22 The exemption does not include aircraft operated by a
23 commercial air carrier providing scheduled passenger air
24 service pursuant to authority issued under Part 121 or Part 129
25 of the Federal Aviation Regulations. The changes made to this
26 paragraph (27) by Public Act 98-534 are declarative of existing

1 law.

2 (28) Tangible personal property purchased by a
3 public-facilities corporation, as described in Section
4 11-65-10 of the Illinois Municipal Code, for purposes of
5 constructing or furnishing a municipal convention hall, but
6 only if the legal title to the municipal convention hall is
7 transferred to the municipality without any further
8 consideration by or on behalf of the municipality at the time
9 of the completion of the municipal convention hall or upon the
10 retirement or redemption of any bonds or other debt instruments
11 issued by the public-facilities corporation in connection with
12 the development of the municipal convention hall. This
13 exemption includes existing public-facilities corporations as
14 provided in Section 11-65-25 of the Illinois Municipal Code.
15 This paragraph is exempt from the provisions of Section 3-75.

16 (29) Beginning January 1, 2017, menstrual pads, tampons,
17 and menstrual cups.

18 (30) Beginning January 1, 2019, prescription medicines and
19 prescription drugs. This paragraph is exempt from the
20 provisions of Section 3-75.

21 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;
22 100-22, eff. 7-6-17.)

23 (35 ILCS 110/3-10) (from Ch. 120, par. 439.33-10)

24 Sec. 3-10. Rate of tax. Unless otherwise provided in this
25 Section, the tax imposed by this Act is at the rate of 6.25% of

1 the selling price of tangible personal property transferred as
2 an incident to the sale of service, but, for the purpose of
3 computing this tax, in no event shall the selling price be less
4 than the cost price of the property to the serviceman.

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

9 With respect to gasohol, as defined in the Use Tax Act, the
10 tax imposed by this Act applies to (i) 70% of the selling price
11 of property transferred as an incident to the sale of service
12 on or after January 1, 1990, and before July 1, 2003, (ii) 80%
13 of 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 July 1, 2017, and (iii) 100% of the selling price thereafter.
16 If, at any time, however, the tax under this Act on sales of
17 gasohol, as defined in the Use Tax Act, is imposed at the rate
18 of 1.25%, then the tax imposed by this Act applies to 100% of
19 the proceeds of sales of gasohol made during that time.

20 With respect to majority blended ethanol fuel, as defined
21 in the Use Tax Act, the tax imposed by this Act does not apply
22 to the selling price of property transferred as an incident to
23 the sale of service on or after July 1, 2003 and on or before
24 December 31, 2023 but applies to 100% of the selling price
25 thereafter.

26 With respect to biodiesel blends, as defined in the Use Tax

1 Act, with no less than 1% and no more than 10% biodiesel, the
2 tax imposed by this Act applies to (i) 80% of the selling price
3 of property transferred as an incident to the sale of service
4 on or after July 1, 2003 and on or before December 31, 2018 and
5 (ii) 100% of the proceeds of the selling price thereafter. If,
6 at any time, however, the tax under this Act on sales of
7 biodiesel blends, as defined in the Use Tax Act, with no less
8 than 1% and no more than 10% biodiesel is imposed at the rate
9 of 1.25%, then the tax imposed by this Act applies to 100% of
10 the proceeds of sales of biodiesel blends with no less than 1%
11 and no more than 10% biodiesel made during that time.

12 With respect to 100% biodiesel, as defined in the Use Tax
13 Act, and biodiesel blends, as defined in the Use Tax Act, with
14 more than 10% but no more than 99% biodiesel, the tax imposed
15 by this Act does not apply to the proceeds of the selling price
16 of property transferred as an incident to the sale of service
17 on or after July 1, 2003 and on or before December 31, 2023 but
18 applies to 100% of the selling price thereafter.

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

1 price of the tangible personal property transferred as an
2 incident to the sale of those services.

3 The tax shall be imposed at the rate of 1% on food prepared
4 for immediate consumption and transferred incident to a sale of
5 service subject to this Act or the Service Occupation Tax Act
6 by an entity licensed under the Hospital Licensing Act, the
7 Nursing Home Care Act, the ID/DD Community Care Act, the MC/DD
8 Act, the Specialized Mental Health Rehabilitation Act of 2013,
9 or the Child Care Act of 1969. The tax shall also be imposed at
10 the rate of 1% on food for human consumption that is to be
11 consumed off the premises where it is sold (other than
12 alcoholic beverages, soft drinks, and food that has been
13 prepared for immediate consumption and is not otherwise
14 included in this paragraph) and prescription and
15 nonprescription medicines, drugs, medical appliances, products
16 classified as Class III medical devices by the United States
17 Food and Drug Administration that are used for cancer treatment
18 pursuant to a prescription, as well as any accessories and
19 components related to those devices, modifications to a motor
20 vehicle for the purpose of rendering it usable by a person with
21 a disability, and insulin, urine testing materials, syringes,
22 and needles used by diabetics, for human use; provided that,
23 beginning on January 1, 2019, no tax shall be imposed on
24 prescription medicines or prescription drugs. For the purposes
25 of this Section, until September 1, 2009: the term "soft
26 drinks" means any complete, finished, ready-to-use,

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

11 Notwithstanding any other provisions of this Act,
12 beginning September 1, 2009, "soft drinks" means non-alcoholic
13 beverages that contain natural or artificial sweeteners. "Soft
14 drinks" do not include beverages that contain milk or milk
15 products, soy, rice or similar milk substitutes, or greater
16 than 50% of vegetable or fruit juice by volume.

17 Until August 1, 2009, and notwithstanding any other
18 provisions of this Act, "food for human consumption that is to
19 be consumed off the premises where it is sold" includes all
20 food sold through a vending machine, except soft drinks and
21 food products that are dispensed hot from a vending machine,
22 regardless of the location of the vending machine. Beginning
23 August 1, 2009, and notwithstanding any other provisions of
24 this Act, "food for human consumption that is to be consumed
25 off the premises where it is sold" includes all food sold
26 through a vending machine, except soft drinks, candy, and food

1 products that are dispensed hot from a vending machine,
2 regardless of the location of the vending machine.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "food for human consumption that
5 is to be consumed off the premises where it is sold" does not
6 include candy. For purposes of this Section, "candy" means a
7 preparation of sugar, honey, or other natural or artificial
8 sweeteners in combination with chocolate, fruits, nuts or other
9 ingredients or flavorings in the form of bars, drops, or
10 pieces. "Candy" does not include any preparation that contains
11 flour or requires refrigeration.

12 Notwithstanding any other provisions of this Act,
13 beginning September 1, 2009, "nonprescription medicines and
14 drugs" does not include grooming and hygiene products. For
15 purposes of this Section, "grooming and hygiene products"
16 includes, but is not limited to, soaps and cleaning solutions,
17 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
18 lotions and screens, unless those products are available by
19 prescription only, regardless of whether the products meet the
20 definition of "over-the-counter-drugs". For the purposes of
21 this paragraph, "over-the-counter-drug" means a drug for human
22 use that contains a label that identifies the product as a drug
23 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
24 label includes:

25 (A) A "Drug Facts" panel; or

26 (B) A statement of the "active ingredient(s)" with a

1 list of those ingredients contained in the compound,
2 substance or preparation.

3 Beginning on January 1, 2014 (the effective date of Public
4 Act 98-122), "prescription and nonprescription medicines and
5 drugs" includes medical cannabis purchased from a registered
6 dispensing organization under the Compassionate Use of Medical
7 Cannabis Pilot Program Act.

8 If the property that is acquired from a serviceman is
9 acquired outside Illinois and used outside Illinois before
10 being brought to Illinois for use here and is taxable under
11 this Act, the "selling price" on which the tax is computed
12 shall be reduced by an amount that represents a reasonable
13 allowance for depreciation for the period of prior out-of-state
14 use.

15 (Source: P.A. 99-143, eff. 7-27-15; 99-180, eff. 7-29-15;
16 99-642, eff. 7-28-16; 99-858, eff. 8-19-16; 100-22, eff.
17 7-6-17.)

18 Section 15. The Service Occupation Tax Act is amended by
19 changing Sections 3-5 and 3-10 as follows:

20 (35 ILCS 115/3-5)

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

23 (1) Personal property sold by a corporation, society,
24 association, foundation, institution, or organization, other

1 than a limited liability company, that is organized and
2 operated as a not-for-profit service enterprise for the benefit
3 of persons 65 years of age or older if the personal property
4 was not purchased by the enterprise for the purpose of resale
5 by the enterprise.

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

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

24 (4) Legal tender, currency, medallions, or gold or silver
25 coinage issued by the State of Illinois, the government of the
26 United States of America, or the government of any foreign

1 country, and bullion.

2 (5) Until July 1, 2003 and beginning again on September 1,
3 2004 through August 30, 2014, graphic arts machinery and
4 equipment, including repair and replacement parts, both new and
5 used, and including that manufactured on special order or
6 purchased for lease, certified by the purchaser to be used
7 primarily for graphic arts production. Equipment includes
8 chemicals or chemicals acting as catalysts but only if the
9 chemicals or chemicals acting as catalysts effect a direct and
10 immediate change upon a graphic arts product. Beginning on July
11 1, 2017, graphic arts machinery and equipment is included in
12 the manufacturing and assembling machinery and equipment
13 exemption under Section 2 of this Act.

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

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

1 but excluding other motor vehicles required to be registered
2 under the Illinois Vehicle Code. Horticultural polyhouses or
3 hoop houses used for propagating, growing, or overwintering
4 plants shall be considered farm machinery and equipment under
5 this item (7). Agricultural chemical tender tanks and dry boxes
6 shall include units sold separately from a motor vehicle
7 required to be licensed and units sold mounted on a motor
8 vehicle required to be licensed if the selling price of the
9 tender is separately stated.

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

18 Farm machinery and equipment also includes computers,
19 sensors, software, and related equipment used primarily in the
20 computer-assisted operation of production agriculture
21 facilities, equipment, and activities such as, but not limited
22 to, the collection, monitoring, and correlation of animal and
23 crop data for the purpose of formulating animal diets and
24 agricultural chemicals. This item (7) is exempt from the
25 provisions of Section 3-55.

26 (8) Until June 30, 2013, fuel and petroleum products sold

1 to or used by an air common carrier, certified by the carrier
2 to be used for consumption, shipment, or storage in the conduct
3 of its business as an air common carrier, for a flight destined
4 for or returning from a location or locations outside the
5 United States without regard to previous or subsequent domestic
6 stopovers.

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

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

25 (10) Until July 1, 2003, oil field exploration, drilling,
26 and production equipment, including (i) rigs and parts of rigs,

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

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

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

24 (13) Beginning January 1, 1992 and through June 30, 2016,
25 food for human consumption that is to be consumed off the
26 premises where it is sold (other than alcoholic beverages, soft

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

11 (14) Semen used for artificial insemination of livestock
12 for direct agricultural production.

13 (15) Horses, or interests in horses, registered with and
14 meeting the requirements of any of the Arabian Horse Club
15 Registry of America, Appaloosa Horse Club, American Quarter
16 Horse Association, United States Trotting Association, or
17 Jockey Club, as appropriate, used for purposes of breeding or
18 racing for prizes. This item (15) is exempt from the provisions
19 of Section 3-55, and the exemption provided for under this item
20 (15) applies for all periods beginning May 30, 1995, but no
21 claim for credit or refund is allowed on or after January 1,
22 2008 (the effective date of Public Act 95-88) for such taxes
23 paid during the period beginning May 30, 2000 and ending on
24 January 1, 2008 (the effective date of Public Act 95-88).

25 (16) Computers and communications equipment utilized for
26 any hospital purpose and equipment used in the diagnosis,

1 analysis, or treatment of hospital patients sold to a lessor
2 who leases the equipment, under a lease of one year or longer
3 executed or in effect at the time of the purchase, to a
4 hospital that has been issued an active tax exemption
5 identification number by the Department under Section 1g of the
6 Retailers' Occupation Tax Act.

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

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

23 (19) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is used in the
26 performance of infrastructure repairs in this State, including

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

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

13 (21) A motor vehicle, as that term is defined in Section
14 1-146 of the Illinois Vehicle Code, that is donated to a
15 corporation, limited liability company, society, association,
16 foundation, or institution that is determined by the Department
17 to be organized and operated exclusively for educational
18 purposes. For purposes of this exemption, "a corporation,
19 limited liability company, society, association, foundation,
20 or institution organized and operated exclusively for
21 educational purposes" means all tax-supported public schools,
22 private schools that offer systematic instruction in useful
23 branches of learning by methods common to public schools and
24 that compare favorably in their scope and intensity with the
25 course of study presented in tax-supported schools, and
26 vocational or technical schools or institutes organized and

1 operated exclusively to provide a course of study of not less
2 than 6 weeks duration and designed to prepare individuals to
3 follow a trade or to pursue a manual, technical, mechanical,
4 industrial, business, or commercial occupation.

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

19 (23) Beginning January 1, 2000 and through December 31,
20 2001, new or used automatic vending machines that prepare and
21 serve hot food and beverages, including coffee, soup, and other
22 items, and replacement parts for these machines. Beginning
23 January 1, 2002 and through June 30, 2003, machines and parts
24 for machines used in commercial, coin-operated amusement and
25 vending business if a use or occupation tax is paid on the
26 gross receipts derived from the use of the commercial,

1 coin-operated amusement and vending machines. This paragraph
2 is exempt from the provisions of Section 3-55.

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 sold to a lessor who leases the equipment, under a lease of one
8 year or longer executed or in effect at the time of the
9 purchase, to a hospital that has been issued an active tax
10 exemption identification number by the Department under
11 Section 1g of the Retailers' Occupation Tax Act. This paragraph
12 is exempt from the provisions of Section 3-55.

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

21 (26) Beginning on January 1, 2002 and through June 30,
22 2016, tangible personal property purchased from an Illinois
23 retailer by a taxpayer engaged in centralized purchasing
24 activities in Illinois who will, upon receipt of the property
25 in Illinois, temporarily store the property in Illinois (i) for
26 the purpose of subsequently transporting it outside this State

1 for use or consumption thereafter solely outside this State or
2 (ii) for the purpose of being processed, fabricated, or
3 manufactured into, attached to, or incorporated into other
4 tangible personal property to be transported outside this State
5 and thereafter used or consumed solely outside this State. The
6 Director of Revenue shall, pursuant to rules adopted in
7 accordance with the Illinois Administrative Procedure Act,
8 issue a permit to any taxpayer in good standing with the
9 Department who is eligible for the exemption under this
10 paragraph (26). The permit issued under this paragraph (26)
11 shall authorize the holder, to the extent and in the manner
12 specified in the rules adopted under this Act, to purchase
13 tangible personal property from a retailer exempt from the
14 taxes imposed by this Act. Taxpayers shall maintain all
15 necessary books and records to substantiate the use and
16 consumption of all such tangible personal property outside of
17 the State of Illinois.

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

25 (28) Tangible personal property sold to a
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of
2 constructing or furnishing a municipal convention hall, but
3 only if the legal title to the municipal convention hall is
4 transferred to the municipality without any further
5 consideration by or on behalf of the municipality at the time
6 of the completion of the municipal convention hall or upon the
7 retirement or redemption of any bonds or other debt instruments
8 issued by the public-facilities corporation in connection with
9 the development of the municipal convention hall. This
10 exemption includes existing public-facilities corporations as
11 provided in Section 11-65-25 of the Illinois Municipal Code.
12 This paragraph is exempt from the provisions of Section 3-55.

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

1 films. This exemption applies only to the transfer of
2 qualifying tangible personal property incident to the
3 modification, refurbishment, completion, replacement, repair,
4 or maintenance of an aircraft by persons who (i) hold an Air
5 Agency Certificate and are empowered to operate an approved
6 repair station by the Federal Aviation Administration, (ii)
7 have a Class IV Rating, and (iii) conduct operations in
8 accordance with Part 145 of the Federal Aviation Regulations.
9 The exemption does not include aircraft operated by a
10 commercial air carrier providing scheduled passenger air
11 service pursuant to authority issued under Part 121 or Part 129
12 of the Federal Aviation Regulations. The changes made to this
13 paragraph (29) by Public Act 98-534 are declarative of existing
14 law.

15 (30) Beginning January 1, 2017, menstrual pads, tampons,
16 and menstrual cups.

17 (31) Beginning January 1, 2019, prescription medicines and
18 prescription drugs. This paragraph is exempt from the
19 provisions of Section 3-55.

20 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;
21 100-22, eff. 7-6-17.)

22 (35 ILCS 115/3-10) (from Ch. 120, par. 439.103-10)

23 Sec. 3-10. Rate of tax. Unless otherwise provided in this
24 Section, the tax imposed by this Act is at the rate of 6.25% of
25 the "selling price", as defined in Section 2 of the Service Use

1 Tax Act, of the tangible personal property. For the purpose of
2 computing this tax, in no event shall the "selling price" be
3 less than the cost price to the serviceman of the tangible
4 personal property transferred. The selling price of each item
5 of tangible personal property transferred as an incident of a
6 sale of service may be shown as a distinct and separate item on
7 the serviceman's billing to the service customer. If the
8 selling price is not so shown, the selling price of the
9 tangible personal property is deemed to be 50% of the
10 serviceman's entire billing to the service customer. When,
11 however, a serviceman contracts to design, develop, and produce
12 special order machinery or equipment, the tax imposed by this
13 Act shall be based on the serviceman's cost price of the
14 tangible personal property transferred incident to the
15 completion of the contract.

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

20 With respect to gasohol, as defined in the Use Tax Act, the
21 tax imposed by this Act shall apply to (i) 70% of the cost
22 price of property transferred as an incident to the sale of
23 service on or after January 1, 1990, and before July 1, 2003,
24 (ii) 80% of the selling price of property transferred as an
25 incident to the sale of service on or after July 1, 2003 and on
26 or before July 1, 2017, and (iii) 100% of the cost price

1 thereafter. If, at any time, however, the tax under this Act on
2 sales of gasohol, as defined in the Use Tax Act, is imposed at
3 the rate of 1.25%, then the tax imposed by this Act applies to
4 100% of the proceeds of sales of gasohol made during that time.

5 With respect to majority blended ethanol fuel, as defined
6 in the Use Tax Act, the tax imposed by this Act does not apply
7 to the selling price of property transferred as an incident to
8 the sale of service on or after July 1, 2003 and on or before
9 December 31, 2023 but applies to 100% of the selling price
10 thereafter.

11 With respect to biodiesel blends, as defined in the Use Tax
12 Act, with no less than 1% and no more than 10% biodiesel, the
13 tax imposed by this Act applies to (i) 80% of the selling price
14 of property transferred as an incident to the sale of service
15 on or after July 1, 2003 and on or before December 31, 2018 and
16 (ii) 100% of the proceeds of the selling price thereafter. If,
17 at any time, however, the tax under this Act on sales of
18 biodiesel blends, as defined in the Use Tax Act, with no less
19 than 1% and no more than 10% biodiesel is imposed at the rate
20 of 1.25%, then the tax imposed by this Act applies to 100% of
21 the proceeds of sales of biodiesel blends with no less than 1%
22 and no more than 10% biodiesel made during that time.

23 With respect to 100% biodiesel, as defined in the Use Tax
24 Act, and biodiesel blends, as defined in the Use Tax Act, with
25 more than 10% but no more than 99% biodiesel material, the tax
26 imposed by this Act does not apply to the proceeds of the

1 selling price of property transferred as an incident to the
2 sale of service on or after July 1, 2003 and on or before
3 December 31, 2023 but applies to 100% of the selling price
4 thereafter.

5 At the election of any registered serviceman made for each
6 fiscal year, sales of service in which the aggregate annual
7 cost price of tangible personal property transferred as an
8 incident to the sales of service is less than 35%, or 75% in
9 the case of servicemen transferring prescription drugs or
10 servicemen engaged in graphic arts production, of the aggregate
11 annual total gross receipts from all sales of service, the tax
12 imposed by this Act shall be based on the serviceman's cost
13 price of the tangible personal property transferred incident to
14 the sale of those services.

15 The tax shall be imposed at the rate of 1% on food prepared
16 for immediate consumption and transferred incident to a sale of
17 service subject to this Act or the Service Occupation Tax Act
18 by an entity licensed under the Hospital Licensing Act, the
19 Nursing Home Care Act, the ID/DD Community Care Act, the MC/DD
20 Act, the Specialized Mental Health Rehabilitation Act of 2013,
21 or the Child Care Act of 1969. The tax shall also be imposed at
22 the rate of 1% on food for human consumption that is to be
23 consumed off the premises where it is sold (other than
24 alcoholic beverages, soft drinks, and food that has been
25 prepared for immediate consumption and is not otherwise
26 included in this paragraph) and prescription and

1 nonprescription medicines, drugs, medical appliances, products
2 classified as Class III medical devices by the United States
3 Food and Drug Administration that are used for cancer treatment
4 pursuant to a prescription, as well as any accessories and
5 components related to those devices, modifications to a motor
6 vehicle for the purpose of rendering it usable by a person with
7 a disability, and insulin, urine testing materials, syringes,
8 and needles used by diabetics, for human use; provided that,
9 beginning on January 1, 2019, no tax shall be imposed on
10 prescription medicines or prescription drugs. For the purposes
11 of this Section, until September 1, 2009: the term "soft
12 drinks" means any complete, finished, ready-to-use,
13 non-alcoholic drink, whether carbonated or not, including but
14 not limited to soda water, cola, fruit juice, vegetable juice,
15 carbonated water, and all other preparations commonly known as
16 soft drinks of whatever kind or description that are contained
17 in any closed or sealed can, carton, or container, regardless
18 of size; but "soft drinks" does not include coffee, tea,
19 non-carbonated water, infant formula, milk or milk products as
20 defined in the Grade A Pasteurized Milk and Milk Products Act,
21 or drinks containing 50% or more natural fruit or vegetable
22 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" do 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 other
21 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 C.F.R. § 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 Pilot Program Act.

20 (Source: P.A. 99-143, eff. 7-27-15; 99-180, eff. 7-29-15;
21 99-642, eff. 7-28-16; 99-858, eff. 8-19-16; 100-22, eff.
22 7-6-17.)

23 Section 20. The Retailers' Occupation Tax Act is amended by
24 changing Sections 2-5 and 2-10 as follows:

1 (35 ILCS 120/2-5)

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

5 (1) Farm chemicals.

6 (2) Farm machinery and equipment, both new and used,
7 including that manufactured on special order, certified by
8 the purchaser to be used primarily for production
9 agriculture or State or federal agricultural programs,
10 including individual replacement parts for the machinery
11 and equipment, including machinery and equipment purchased
12 for lease, and including implements of husbandry defined in
13 Section 1-130 of the Illinois Vehicle Code, farm machinery
14 and agricultural chemical and fertilizer spreaders, and
15 nurse wagons required to be registered under Section 3-809
16 of the Illinois Vehicle Code, but excluding other motor
17 vehicles required to be registered under the Illinois
18 Vehicle Code. Horticultural polyhouses or hoop houses used
19 for propagating, growing, or overwintering plants shall be
20 considered farm machinery and equipment under this item
21 (2). Agricultural chemical tender tanks and dry boxes shall
22 include units sold separately from a motor vehicle required
23 to be licensed and units sold mounted on a motor vehicle
24 required to be licensed, if the selling price of the tender
25 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
3 not limited to, tractors, harvesters, sprayers, planters,
4 seeders, or spreaders. Precision farming equipment
5 includes, but is not limited to, soil testing sensors,
6 computers, monitors, software, global positioning and
7 mapping systems, and other such equipment.

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

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

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

1 order or purchased for lease, certified by the purchaser to
2 be used primarily for graphic arts production. Equipment
3 includes chemicals or chemicals acting as catalysts but
4 only if the chemicals or chemicals acting as catalysts
5 effect a direct and immediate change upon a graphic arts
6 product. Beginning on July 1, 2017, graphic arts machinery
7 and equipment is included in the manufacturing and
8 assembling machinery and equipment exemption under
9 paragraph (14).

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

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

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

20 (8) Personal property sold to an Illinois county fair
21 association for use in conducting, operating, or promoting
22 the county fair.

23 (9) Personal property sold to a not-for-profit arts or
24 cultural organization that establishes, by proof required
25 by the Department by rule, that it has received an
26 exemption under Section 501(c)(3) of the Internal Revenue

1 Code and that is organized and operated primarily for the
2 presentation or support of arts or cultural programming,
3 activities, or services. These organizations include, but
4 are not limited to, music and dramatic arts organizations
5 such as symphony orchestras and theatrical groups, arts and
6 cultural service organizations, local arts councils,
7 visual arts organizations, and media arts organizations.
8 On and after July 1, 2001 (the effective date of Public Act
9 92-35) ~~this amendatory Act of the 92nd General Assembly,~~
10 however, an entity otherwise eligible for this exemption
11 shall not make tax-free purchases unless it has an active
12 identification number issued by the Department.

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

20 (11) Personal property sold to a governmental body, to
21 a corporation, society, association, foundation, or
22 institution organized and operated exclusively for
23 charitable, religious, or educational purposes, or to a
24 not-for-profit corporation, society, association,
25 foundation, institution, or organization that has no
26 compensated officers or employees and that is organized and

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

9 (12) (Blank).

10 (12-5) On and after July 1, 2003 and through June 30,
11 2004, motor vehicles of the second division with a gross
12 vehicle weight in excess of 8,000 pounds that are subject
13 to the commercial distribution fee imposed under Section
14 3-815.1 of the Illinois Vehicle Code. Beginning on July 1,
15 2004 and through June 30, 2005, the use in this State of
16 motor vehicles of the second division: (i) with a gross
17 vehicle weight rating in excess of 8,000 pounds; (ii) that
18 are subject to the commercial distribution fee imposed
19 under Section 3-815.1 of the Illinois Vehicle Code; and
20 (iii) that are primarily used for commercial purposes.
21 Through June 30, 2005, this exemption applies to repair and
22 replacement parts added after the initial purchase of such
23 a motor vehicle if that motor vehicle is used in a manner
24 that would qualify for the rolling stock exemption
25 otherwise provided for in this Act. For purposes of this
26 paragraph, "used for commercial purposes" means the

1 transportation of persons or property in furtherance of any
2 commercial or industrial enterprise whether for-hire or
3 not.

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

12 (14) Machinery and equipment that will be used by the
13 purchaser, or a lessee of the purchaser, primarily in the
14 process of manufacturing or assembling tangible personal
15 property for wholesale or retail sale or lease, whether the
16 sale or lease is made directly by the manufacturer or by
17 some other person, whether the materials used in the
18 process are owned by the manufacturer or some other person,
19 or whether the sale or lease is made apart from or as an
20 incident to the seller's engaging in the service occupation
21 of producing machines, tools, dies, jigs, patterns,
22 gauges, or other similar items of no commercial value on
23 special order for a particular purchaser. The exemption
24 provided by this paragraph (14) does not include machinery
25 and equipment used in (i) the generation of electricity for
26 wholesale or retail sale; (ii) the generation or treatment

1 of natural or artificial gas for wholesale or retail sale
2 that is delivered to customers through pipes, pipelines, or
3 mains; or (iii) the treatment of water for wholesale or
4 retail sale that is delivered to customers through pipes,
5 pipelines, or mains. The provisions of Public Act 98-583
6 are declaratory of existing law as to the meaning and scope
7 of this exemption. Beginning on July 1, 2017, the exemption
8 provided by this paragraph (14) includes, but is not
9 limited to, graphic arts machinery and equipment, as
10 defined in paragraph (4) of this Section.

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

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

22 (17) Tangible personal property sold to a common
23 carrier by rail or motor that receives the physical
24 possession of the property in Illinois and that transports
25 the property, or shares with another common carrier in the
26 transportation of the property, out of Illinois on a

1 standard uniform bill of lading showing the seller of the
2 property as the shipper or consignor of the property to a
3 destination outside Illinois, for use outside Illinois.

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

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

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

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

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

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

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

1 (23) A transaction in which the purchase order is
2 received by a florist who is located outside Illinois, but
3 who has a florist located in Illinois deliver the property
4 to the purchaser or the purchaser's donee in Illinois.

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

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

23 (25-5) The exemption under item (25) does not apply if
24 the state in which the motor vehicle will be titled does
25 not allow a reciprocal exemption for a motor vehicle sold
26 and delivered in that state to an Illinois resident but

1 titled in Illinois. The tax collected under this Act on the
2 sale of a motor vehicle in this State to a resident of
3 another state that does not allow a reciprocal exemption
4 shall be imposed at a rate equal to the state's rate of tax
5 on taxable property in the state in which the purchaser is
6 a resident, except that the tax shall not exceed the tax
7 that would otherwise be imposed under this Act. At the time
8 of the sale, the purchaser shall execute a statement,
9 signed under penalty of perjury, of his or her intent to
10 title the vehicle in the state in which the purchaser is a
11 resident within 30 days after the sale and of the fact of
12 the payment to the State of Illinois of tax in an amount
13 equivalent to the state's rate of tax on taxable property
14 in his or her state of residence and shall submit the
15 statement to the appropriate tax collection agency in his
16 or her state of residence. In addition, the retailer must
17 retain a signed copy of the statement in his or her
18 records. Nothing in this item shall be construed to require
19 the removal of the vehicle from this state following the
20 filing of an intent to title the vehicle in the purchaser's
21 state of residence if the purchaser titles the vehicle in
22 his or her state of residence within 30 days after the date
23 of sale. The tax collected under this Act in accordance
24 with this item (25-5) shall be proportionately distributed
25 as if the tax were collected at the 6.25% general rate
26 imposed under this Act.

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

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

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

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

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

26 "Based in this State" means hangared, stored, or

1 otherwise used, excluding post-sale customizations as
2 defined in this Section, for 10 or more days in each
3 12-month period immediately following the date of the sale
4 of the aircraft.

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

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

12 (26) Semen used for artificial insemination of
13 livestock for direct agricultural production.

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

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

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

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

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

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

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

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

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

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

26 (35) Beginning January 1, 2000 and through December 31,

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

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

25 (36) Beginning August 2, 2001, computers and
26 communications equipment utilized for any hospital purpose

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

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

15 (38) Beginning on January 1, 2002 and through June 30,
16 2016, tangible personal property purchased from an
17 Illinois retailer by a taxpayer engaged in centralized
18 purchasing activities in Illinois who will, upon receipt of
19 the property in Illinois, temporarily store the property in
20 Illinois (i) for the purpose of subsequently transporting
21 it outside this State for use or consumption thereafter
22 solely outside this State or (ii) for the purpose of being
23 processed, fabricated, or manufactured into, attached to,
24 or incorporated into other tangible personal property to be
25 transported outside this State and thereafter used or
26 consumed solely outside this State. The Director of Revenue

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

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

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

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

24 (41) Tangible personal property sold to a
25 public-facilities corporation, as described in Section
26 11-65-10 of the Illinois Municipal Code, for purposes of

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

13 (42) Beginning January 1, 2017, menstrual pads,
14 tampons, and menstrual cups.

15 (43) Merchandise that is subject to the Rental Purchase
16 Agreement Occupation and Use Tax. The purchaser must
17 certify that the item is purchased to be rented subject to
18 a rental purchase agreement, as defined in the Rental
19 Purchase Agreement Act, and provide proof of registration
20 under the Rental Purchase Agreement Occupation and Use Tax
21 Act. This paragraph is exempt from the provisions of
22 Section 2-70.

23 (44) Beginning January 1, 2019, prescription medicines
24 and prescription drugs. This paragraph is exempt from the
25 provisions of Section 2-70.

26 (Source: P.A. 99-180, eff. 7-29-15; 99-855, eff. 8-19-16;

1 100-22, eff. 7-6-17; 100-321, eff. 8-24-17; 100-437, eff.
2 1-1-18; revised 9-26-17.)

3 (35 ILCS 120/2-10)

4 Sec. 2-10. Rate of tax. Unless otherwise provided in this
5 Section, the tax imposed by this Act is at the rate of 6.25% of
6 gross receipts from sales of tangible personal property made in
7 the course of business.

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

12 Beginning on August 6, 2010 through August 15, 2010, with
13 respect to sales tax holiday items as defined in Section 2-8 of
14 this Act, the tax is imposed at the rate of 1.25%.

15 Within 14 days after the effective date of this amendatory
16 Act of the 91st General Assembly, each retailer of motor fuel
17 and gasohol shall cause the following notice to be posted in a
18 prominently visible place on each retail dispensing device that
19 is used to dispense motor fuel or gasohol in the State of
20 Illinois: "As of July 1, 2000, the State of Illinois has
21 eliminated the State's share of sales tax on motor fuel and
22 gasohol through December 31, 2000. The price on this pump
23 should reflect the elimination of the tax." The notice shall be
24 printed in bold print on a sign that is no smaller than 4
25 inches by 8 inches. The sign shall be clearly visible to

1 customers. Any retailer who fails to post or maintain a
2 required sign through December 31, 2000 is guilty of a petty
3 offense for which the fine shall be \$500 per day per each
4 retail premises where a violation occurs.

5 With respect to gasohol, as defined in the Use Tax Act, the
6 tax imposed by this Act applies to (i) 70% of the proceeds of
7 sales made on or after January 1, 1990, and before July 1,
8 2003, (ii) 80% of the proceeds of sales made on or after July
9 1, 2003 and on or before July 1, 2017, and (iii) 100% of the
10 proceeds of sales made thereafter. If, at any time, however,
11 the tax under this Act on sales of gasohol, as defined in the
12 Use Tax Act, is imposed at the rate of 1.25%, then the tax
13 imposed by this Act applies to 100% of the proceeds of sales of
14 gasohol made during that time.

15 With respect to majority blended ethanol fuel, as defined
16 in the Use Tax Act, the tax imposed by this Act does not apply
17 to the proceeds of sales made on or after July 1, 2003 and on or
18 before December 31, 2023 but applies to 100% of the proceeds of
19 sales made thereafter.

20 With respect to biodiesel blends, as defined in the Use Tax
21 Act, with no less than 1% and no more than 10% biodiesel, the
22 tax imposed by this Act applies to (i) 80% of the proceeds of
23 sales made on or after July 1, 2003 and on or before December
24 31, 2018 and (ii) 100% of the proceeds of sales made
25 thereafter. If, at any time, however, the tax under this Act on
26 sales of biodiesel blends, as defined in the Use Tax Act, with

1 no less than 1% and no more than 10% biodiesel is imposed at
2 the rate of 1.25%, then the tax imposed by this Act applies to
3 100% of the proceeds of sales of biodiesel blends with no less
4 than 1% and no more than 10% biodiesel made during that time.

5 With respect to 100% biodiesel, as defined in the Use Tax
6 Act, and biodiesel blends, as defined in the Use Tax Act, with
7 more than 10% but no more than 99% biodiesel, the tax imposed
8 by this Act does not apply to the proceeds of sales made on or
9 after July 1, 2003 and on or before December 31, 2023 but
10 applies to 100% of the proceeds of sales made thereafter.

11 With respect to food for human consumption that is to be
12 consumed off the premises where it is sold (other than
13 alcoholic beverages, soft drinks, and food that has been
14 prepared for immediate consumption) and prescription and
15 nonprescription medicines, drugs, medical appliances, products
16 classified as Class III medical devices by the United States
17 Food and Drug Administration that are used for cancer treatment
18 pursuant to a prescription, as well as any accessories and
19 components related to those devices, modifications to a motor
20 vehicle for the purpose of rendering it usable by a person with
21 a disability, and insulin, urine testing materials, syringes,
22 and needles used by diabetics, for human use, the tax is
23 imposed at the rate of 1%; provided that, beginning on January
24 1, 2019, no tax shall be imposed on prescription medicines or
25 prescription drugs. For the purposes of this Section, until
26 September 1, 2009: the term "soft drinks" means any complete,

1 finished, ready-to-use, non-alcoholic drink, whether
2 carbonated or not, including but not limited to soda water,
3 cola, fruit juice, vegetable juice, carbonated water, and all
4 other preparations commonly known as soft drinks of whatever
5 kind or description that are contained in any closed or sealed
6 bottle, can, carton, or container, regardless of size; but
7 "soft drinks" does not include coffee, tea, non-carbonated
8 water, infant formula, milk or milk products as defined in the
9 Grade A Pasteurized Milk and Milk Products Act, or drinks
10 containing 50% or more natural fruit or vegetable juice.

11 Notwithstanding any other provisions of this Act,
12 beginning September 1, 2009, "soft drinks" means non-alcoholic
13 beverages that contain natural or artificial sweeteners. "Soft
14 drinks" do not include beverages that contain milk or milk
15 products, soy, rice or similar milk substitutes, or greater
16 than 50% of vegetable or fruit juice by volume.

17 Until August 1, 2009, and notwithstanding any other
18 provisions of this Act, "food for human consumption that is to
19 be consumed off the premises where it is sold" includes all
20 food sold through a vending machine, except soft drinks and
21 food products that are dispensed hot from a vending machine,
22 regardless of the location of the vending machine. Beginning
23 August 1, 2009, and notwithstanding any other provisions of
24 this Act, "food for human consumption that is to be consumed
25 off the premises where it is sold" includes all food sold
26 through a vending machine, except soft drinks, candy, and food

1 products that are dispensed hot from a vending machine,
2 regardless of the location of the vending machine.

3 Notwithstanding any other provisions of this Act,
4 beginning September 1, 2009, "food for human consumption that
5 is to be consumed off the premises where it is sold" does not
6 include candy. For purposes of this Section, "candy" means a
7 preparation of sugar, honey, or other natural or artificial
8 sweeteners in combination with chocolate, fruits, nuts or other
9 ingredients or flavorings in the form of bars, drops, or
10 pieces. "Candy" does not include any preparation that contains
11 flour or requires refrigeration.

12 Notwithstanding any other provisions of this Act,
13 beginning September 1, 2009, "nonprescription medicines and
14 drugs" does not include grooming and hygiene products. For
15 purposes of this Section, "grooming and hygiene products"
16 includes, but is not limited to, soaps and cleaning solutions,
17 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
18 lotions and screens, unless those products are available by
19 prescription only, regardless of whether the products meet the
20 definition of "over-the-counter-drugs". For the purposes of
21 this paragraph, "over-the-counter-drug" means a drug for human
22 use that contains a label that identifies the product as a drug
23 as required by 21 C.F.R. § 201.66. The "over-the-counter-drug"
24 label includes:

25 (A) A "Drug Facts" panel; or

26 (B) A statement of the "active ingredient(s)" with a

1 list of those ingredients contained in the compound,
2 substance or preparation.

3 Beginning on the effective date of this amendatory Act of
4 the 98th General Assembly, "prescription and nonprescription
5 medicines and drugs" includes medical cannabis purchased from a
6 registered dispensing organization under the Compassionate Use
7 of Medical Cannabis Pilot Program Act.

8 (Source: P.A. 99-143, eff. 7-27-15; 99-858, eff. 8-19-16;
9 100-22, eff. 7-6-17.)

10 Section 99. Effective date. This Act takes effect upon
11 becoming law.