

1 AN ACT concerning taxes.

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
5 Section 3-5 as follows:

6 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

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

1 exemption shall not make tax-free purchases unless it has an
2 active identification number issued by the Department.

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

18 (5) A passenger car that is a replacement vehicle to the
19 extent that the purchase price of the car is subject to the
20 Replacement Vehicle Tax.

21 (6) Graphic arts machinery and equipment, including
22 repair and replacement parts, both new and used, and
23 including that manufactured on special order, certified by
24 the purchaser to be used primarily for graphic arts
25 production, and including machinery and equipment purchased
26 for lease. Equipment includes chemicals or chemicals acting
27 as catalysts but only if the chemicals or chemicals acting as
28 catalysts effect a direct and immediate change upon a graphic
29 arts product.

30 (7) Farm chemicals.

31 (8) Legal tender, currency, medallions, or gold or
32 silver coinage issued by the State of Illinois, the
33 government of the United States of America, or the government
34 of any foreign country, and bullion.

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

4 (10) A motor vehicle of the first division, a motor
5 vehicle of the second division that is a self-contained motor
6 vehicle designed or permanently converted to provide living
7 quarters for recreational, camping, or travel use, with
8 direct walk through to the living quarters from the driver's
9 seat, or a motor vehicle of the second division that is of
10 the van configuration designed for the transportation of not
11 less than 7 nor more than 16 passengers, as defined in
12 Section 1-146 of the Illinois Vehicle Code, that is used for
13 automobile renting, as defined in the Automobile Renting
14 Occupation and Use Tax Act.

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

34 Farm machinery and equipment shall include precision

1 farming equipment that is installed or purchased to be
2 installed on farm machinery and equipment including, but not
3 limited to, tractors, harvesters, sprayers, planters,
4 seeders, or spreaders. Precision farming equipment includes,
5 but is not limited to, soil testing sensors, computers,
6 monitors, software, global positioning and mapping systems,
7 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 (11) is exempt
15 from the provisions of Section 3-90.

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

23 (13) Proceeds of mandatory service charges separately
24 stated on customers' bills for the purchase and consumption
25 of food and beverages purchased at retail from a retailer, to
26 the extent that the proceeds of the service charge are in
27 fact turned over as tips or as a substitute for tips to the
28 employees who participate directly in preparing, serving,
29 hosting or cleaning up the food or beverage function with
30 respect to which the service charge is imposed.

31 (14) Oil field exploration, drilling, and production
32 equipment, including (i) rigs and parts of rigs, rotary rigs,
33 cable tool rigs, and workover rigs, (ii) pipe and tubular
34 goods, including casing and drill strings, (iii) pumps and

1 pump-jack units, (iv) storage tanks and flow lines, (v) any
2 individual replacement part for oil field exploration,
3 drilling, and production equipment, and (vi) machinery and
4 equipment purchased for lease; but excluding motor vehicles
5 required to be registered under the Illinois Vehicle Code.

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

12 (16) Coal exploration, mining, offhighway hauling,
13 processing, maintenance, and reclamation equipment, including
14 replacement parts and equipment, and including equipment
15 purchased for lease, but excluding motor vehicles required to
16 be registered under the Illinois Vehicle Code.

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

23 (18) Manufacturing and assembling machinery and
24 equipment used primarily in the process of manufacturing or
25 assembling tangible personal property for wholesale or retail
26 sale or lease, whether that sale or lease is made directly by
27 the manufacturer or by some other person, whether the
28 materials used in the process are owned by the manufacturer
29 or some other person, or whether that sale or lease is made
30 apart from or as an incident to the seller's engaging in the
31 service occupation of producing machines, tools, dies, jigs,
32 patterns, gauges, or other similar items of no commercial
33 value on special order for a particular purchaser.

34 (19) Personal property delivered to a purchaser or

1 purchaser's donee inside Illinois when the purchase order for
2 that personal property was received by a florist located
3 outside Illinois who has a florist located inside Illinois
4 deliver the personal property.

5 (20) Semen used for artificial insemination of livestock
6 for direct agricultural production.

7 (21) Horses, or interests in horses, registered with and
8 meeting the requirements of any of the Arabian Horse Club
9 Registry of America, Appaloosa Horse Club, American Quarter
10 Horse Association, United States Trotting Association, or
11 Jockey Club, as appropriate, used for purposes of breeding or
12 racing for prizes.

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

1 lessor is liable to pay that amount to the Department.

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

23 (24) 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 donated
26 for disaster relief to be used in a State or federally
27 declared disaster area in Illinois or bordering Illinois by a
28 manufacturer or retailer that is registered in this State to
29 a corporation, society, association, foundation, or
30 institution that has been issued a sales tax exemption
31 identification number by the Department that assists victims
32 of the disaster who reside within the declared disaster area.

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

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

12 (26) Beginning July 1, 1999, game or game birds
13 purchased at a "game breeding and hunting preserve area" or
14 an "exotic game hunting area" as those terms are used in the
15 Wildlife Code or at a hunting enclosure approved through
16 rules adopted by the Department of Natural Resources. This
17 paragraph is exempt from the provisions of Section 3-90.

18 (27) A motor vehicle, as that term is defined in Section
19 1-146 of the Illinois Vehicle Code, that is donated to a
20 corporation, limited liability company, society, association,
21 foundation, or institution that is determined by the
22 Department to be organized and operated exclusively for
23 educational purposes. For purposes of this exemption, "a
24 corporation, limited liability company, society, association,
25 foundation, or institution organized and operated exclusively
26 for educational purposes" means all tax-supported public
27 schools, private schools that offer systematic instruction in
28 useful branches of learning by methods common to public
29 schools and that compare favorably in their scope and
30 intensity with the course of study presented in tax-supported
31 schools, and vocational or technical schools or institutes
32 organized and operated exclusively to provide a course of
33 study of not less than 6 weeks duration and designed to
34 prepare individuals to follow a trade or to pursue a manual,

1 technical, mechanical, industrial, business, or commercial
2 occupation.

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

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

27 (30) Food for human consumption that is to be consumed
28 off the premises where it is sold (other than alcoholic
29 beverages, soft drinks, and food that has been prepared for
30 immediate consumption) and prescription and nonprescription
31 medicines, drugs, medical appliances, and insulin, urine
32 testing materials, syringes, and needles used by diabetics,
33 for human use, when purchased for use by a person receiving
34 medical assistance under Article 5 of the Illinois Public Aid

1 Code who resides in a licensed long-term care facility, as
2 defined in the Nursing Home Care Act.

3 (31) Beginning on the effective date of this amendatory
4 Act of the 92nd General Assembly, computers and
5 communications equipment utilized for any hospital purpose
6 and equipment used in the diagnosis, analysis, or treatment
7 of hospital patients purchased by a lessor who leases the
8 equipment, under a lease of one year or longer executed or in
9 effect at the time the lessor would otherwise be subject to
10 the tax imposed by this Act, to a hospital that has been
11 issued an active tax exemption identification number by the
12 Department under Section 1g of the Retailers' Occupation Tax
13 Act. If the equipment is leased in a manner that does not
14 qualify for this exemption or is used in any other nonexempt
15 manner, the lessor shall be liable for the tax imposed under
16 this Act or the Service Use Tax Act, as the case may be,
17 based on the fair market value of the property at the time
18 the nonqualifying use occurs. No lessor shall collect or
19 attempt to collect an amount (however designated) that
20 purports to reimburse that lessor for the tax imposed by this
21 Act or the Service Use Tax Act, as the case may be, if the
22 tax has not been paid by the lessor. If a lessor improperly
23 collects any such amount from the lessee, the lessee shall
24 have a legal right to claim a refund of that amount from the
25 lessor. If, however, that amount is not refunded to the
26 lessee for any reason, the lessor is liable to pay that
27 amount to the Department. This paragraph is exempt from the
28 provisions of Section 3-90.

29 (32) Beginning on the effective date of this amendatory
30 Act of the 92nd General Assembly, personal property purchased
31 by a lessor who leases the property, under a lease of one
32 year or longer executed or in effect at the time the lessor
33 would otherwise be subject to the tax imposed by this Act, to
34 a governmental body that has been issued an active sales tax

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

18 (33) Beginning on January 1, 2004, American flags, poles
 19 intended to serve as flagstaffs for American flags, and
 20 American flag sets or kits. This paragraph is exempt from
 21 the provisions of Section 3-90.

22 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
 23 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
 24 8-20-99; 91-901, eff. 1-1-01; 92-35, eff. 7-1-01; 92-227,
 25 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
 26 92-651, eff. 7-11-02.)

27 Section 10. The Service Use Tax Act is amended by
 28 changing Section 3-5 as follows:

29 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

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

32 (1) Personal property purchased from a corporation,

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

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

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

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

29 (5) Graphic arts machinery and equipment, including
30 repair and replacement parts, both new and used, and
31 including that manufactured on special order or purchased for
32 lease, certified by the purchaser to be used primarily for
33 graphic arts production. Equipment includes chemicals or
34 chemicals acting as catalysts but only if the chemicals or

1 chemicals acting as catalysts effect a direct and immediate
2 change upon a graphic arts product.

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

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

25 Farm machinery and equipment shall include precision
26 farming equipment that is installed or purchased to be
27 installed on farm machinery and equipment including, but not
28 limited to, tractors, harvesters, sprayers, planters,
29 seeders, or spreaders. Precision farming equipment includes,
30 but is not limited to, soil testing sensors, computers,
31 monitors, software, global positioning and mapping systems,
32 and other such equipment.

33 Farm machinery and equipment also includes computers,
34 sensors, software, and related equipment used primarily in

1 the computer-assisted operation of production agriculture
2 facilities, equipment, and activities such as, but not
3 limited to, the collection, monitoring, and correlation of
4 animal and crop data for the purpose of formulating animal
5 diets and agricultural chemicals. This item (7) is exempt
6 from the provisions of Section 3-75.

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

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

23 (10) Oil field exploration, drilling, and production
24 equipment, including (i) rigs and parts of rigs, rotary rigs,
25 cable tool rigs, and workover rigs, (ii) pipe and tubular
26 goods, including casing and drill strings, (iii) pumps and
27 pump-jack units, (iv) storage tanks and flow lines, (v) any
28 individual replacement part for oil field exploration,
29 drilling, and production equipment, and (vi) machinery and
30 equipment purchased for lease; but excluding motor vehicles
31 required to be registered under the Illinois Vehicle Code.

32 (11) Proceeds from the sale of photoprocessing machinery
33 and equipment, including repair and replacement parts, both
34 new and used, including that manufactured on special order,

1 certified by the purchaser to be used primarily for
2 photoprocessing, and including photoprocessing machinery and
3 equipment purchased for lease.

4 (12) Coal exploration, mining, offhighway hauling,
5 processing, maintenance, and reclamation equipment, including
6 replacement parts and equipment, and including equipment
7 purchased for lease, but excluding motor vehicles required to
8 be registered under the Illinois Vehicle Code.

9 (13) Semen used for artificial insemination of livestock
10 for direct agricultural production.

11 (14) Horses, or interests in horses, registered with and
12 meeting the requirements of any of the Arabian Horse Club
13 Registry of America, Appaloosa Horse Club, American Quarter
14 Horse Association, United States Trotting Association, or
15 Jockey Club, as appropriate, used for purposes of breeding or
16 racing for prizes.

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

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

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

27 (17) Beginning with taxable years ending on or after
28 December 31, 1995 and ending with taxable years ending on or
29 before December 31, 2004, personal property that is donated
30 for disaster relief to be used in a State or federally
31 declared disaster area in Illinois or bordering Illinois by a
32 manufacturer or retailer that is registered in this State to
33 a corporation, society, association, foundation, or
34 institution that has been issued a sales tax exemption

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

3 (18) 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
6 the performance of infrastructure repairs in this State,
7 including but not limited to municipal roads and streets,
8 access roads, bridges, sidewalks, waste disposal systems,
9 water and sewer line extensions, water distribution and
10 purification facilities, storm water drainage and retention
11 facilities, and sewage treatment facilities, resulting from a
12 State or federally declared disaster in Illinois or bordering
13 Illinois when such repairs are initiated on facilities
14 located in the declared disaster area within 6 months after
15 the disaster.

16 (19) Beginning July 1, 1999, game or game birds
17 purchased at a "game breeding and hunting preserve area" or
18 an "exotic game hunting area" as those terms are used in the
19 Wildlife Code or at a hunting enclosure approved through
20 rules adopted by the Department of Natural Resources. This
21 paragraph is exempt from the 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
26 Department to be organized and operated exclusively for
27 educational purposes. For purposes of this exemption, "a
28 corporation, limited liability company, society, association,
29 foundation, or institution organized and operated exclusively
30 for educational purposes" means all tax-supported public
31 schools, private schools that offer systematic instruction in
32 useful branches of learning by methods common to public
33 schools and that compare favorably in their scope and
34 intensity with the course of study presented in tax-supported

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

7 (21) Beginning January 1, 2000, personal property,
8 including food, purchased through fundraising events for the
9 benefit of a public or private elementary or secondary
10 school, a group of those schools, or one or more school
11 districts if the events are sponsored by an entity recognized
12 by the school district that consists primarily of volunteers
13 and includes parents and teachers of the school children.
14 This paragraph does not apply to fundraising events (i) for
15 the benefit of private home instruction or (ii) for which the
16 fundraising entity purchases the personal property sold at
17 the events from another individual or entity that sold the
18 property for the purpose of resale by the fundraising entity
19 and that profits from the sale to the fundraising entity.
20 This paragraph is exempt from the provisions of Section 3-75.

21 (22) Beginning January 1, 2000 and through December 31,
22 2001, new or used automatic vending machines that prepare and
23 serve hot food and beverages, including coffee, soup, and
24 other items, and replacement parts for these machines.
25 Beginning January 1, 2002, machines and parts for machines
26 used in commercial, coin-operated amusement and vending
27 business if a use or occupation tax is paid on the gross
28 receipts derived from the use of the commercial,
29 coin-operated amusement and vending machines. This paragraph
30 is exempt from the provisions of Section 3-75.

31 (23) Food for human consumption that is to be consumed
32 off the premises where it is sold (other than alcoholic
33 beverages, soft drinks, and food that has been prepared for
34 immediate consumption) and prescription and nonprescription

1 medicines, drugs, medical appliances, and insulin, urine
2 testing materials, syringes, and needles used by diabetics,
3 for human use, when purchased for use by a person receiving
4 medical assistance under Article 5 of the Illinois Public Aid
5 Code who resides in a licensed long-term care facility, as
6 defined in the Nursing Home Care Act.

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

33 (25) Beginning on the effective date of this amendatory
34 Act of the 92nd General Assembly, personal property purchased

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

22 (26) Beginning on January 1, 2004, American flags, poles
 23 intended to serve as flagstaffs for American flags, and
 24 American flag sets or kits. This paragraph is exempt from
 25 the provisions of Section 3-75.

26 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
 27 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
 28 8-20-99; 92-16, eff. 6-28-01; 92-35, eff. 7-1-01; 92-227,
 29 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
 30 92-651, eff. 7-11-02.)

31 Section 15. The Service Occupation Tax Act is amended by
 32 changing Section 3-5 as follows:

1 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

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

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

33 (5) Graphic arts machinery and equipment, including
34 repair and replacement parts, both new and used, and

1 including that manufactured on special order or purchased for
2 lease, certified by the purchaser to be used primarily for
3 graphic arts production. Equipment includes chemicals or
4 chemicals acting as catalysts but only if the chemicals or
5 chemicals acting as catalysts effect a direct and immediate
6 change upon a graphic arts product.

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

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

29 Farm machinery and equipment shall include precision
30 farming equipment that is installed or purchased to be
31 installed on farm machinery and equipment including, but not
32 limited to, tractors, harvesters, sprayers, planters,
33 seeders, or spreaders. Precision farming equipment includes,
34 but is not limited to, soil testing sensors, computers,

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

3 Farm machinery and equipment also includes computers,
4 sensors, software, and related equipment used primarily in
5 the computer-assisted operation of production agriculture
6 facilities, equipment, and activities such as, but not
7 limited to, the collection, monitoring, and correlation of
8 animal and crop data for the purpose of formulating animal
9 diets and agricultural chemicals. This item (7) is exempt
10 from the provisions of Section 3-55.

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

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

26 (10) Oil field exploration, drilling, and production
27 equipment, including (i) rigs and parts of rigs, rotary rigs,
28 cable tool rigs, and workover rigs, (ii) pipe and tubular
29 goods, including casing and drill strings, (iii) pumps and
30 pump-jack units, (iv) storage tanks and flow lines, (v) any
31 individual replacement part for oil field exploration,
32 drilling, and production equipment, and (vi) machinery and
33 equipment purchased for lease; but excluding motor vehicles
34 required to be registered under the Illinois Vehicle Code.

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

7 (12) Coal exploration, mining, offhighway hauling,
8 processing, maintenance, and reclamation equipment, including
9 replacement parts and equipment, and including equipment
10 purchased for lease, but excluding motor vehicles required to
11 be registered under the Illinois Vehicle Code.

12 (13) Food for human consumption that is to be consumed
13 off 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 non-prescription
16 medicines, drugs, medical appliances, and insulin, urine
17 testing materials, syringes, and needles used by diabetics,
18 for human use, when purchased for use by a person receiving
19 medical assistance under Article 5 of the Illinois Public Aid
20 Code who resides in a licensed long-term care facility, as
21 defined in the Nursing Home Care Act.

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

24 (15) Horses, or interests in horses, registered with and
25 meeting the requirements of any of the Arabian Horse Club
26 Registry of America, Appaloosa Horse Club, American Quarter
27 Horse Association, United States Trotting Association, or
28 Jockey Club, as appropriate, used for purposes of breeding or
29 racing for prizes.

30 (16) Computers and communications equipment utilized for
31 any hospital purpose and equipment used in the diagnosis,
32 analysis, or treatment of hospital patients sold to a lessor
33 who leases the equipment, under a lease of one year or longer
34 executed or in effect at the time of the purchase, to a

1 hospital that has been issued an active tax exemption
2 identification number by the Department under Section 1g of
3 the Retailers' Occupation Tax Act.

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

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

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

33 (20) Beginning July 1, 1999, game or game birds sold at
34 a "game breeding and hunting preserve area" or an "exotic

1 game hunting area" as those terms are used in the Wildlife
2 Code or at a hunting enclosure approved through rules adopted
3 by the Department of Natural Resources. This paragraph is
4 exempt from the provisions of Section 3-55.

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

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

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

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

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

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

33 (26) Beginning on January 1, 2002, tangible personal
34 property purchased from an Illinois retailer by a taxpayer

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

22 (27) Beginning on January 1, 2004, American flags, poles
23 intended to serve as flagstaffs for American flags, and
24 American flag sets or kits. This paragraph is exempt from
25 the provisions of Section 3-55.

26 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
27 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
28 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
29 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
30 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
31 7-11-02.)

32 Section 20. The Retailers' Occupation Tax Act is amended
33 by changing Section 2-5 as follows:

1 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

2 Sec. 2-5. Exemptions. Gross receipts from proceeds from
3 the sale of the following tangible personal property are
4 exempt 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 agriculture
9 or State or federal agricultural programs, including
10 individual replacement parts for the machinery and equipment,
11 including machinery and equipment purchased for lease, and
12 including implements of husbandry defined in Section 1-130 of
13 the Illinois Vehicle Code, farm machinery and agricultural
14 chemical and fertilizer spreaders, and nurse wagons required
15 to be registered under Section 3-809 of the Illinois Vehicle
16 Code, but excluding other motor vehicles required to be
17 registered under the Illinois Vehicle Code. Horticultural
18 polyhouses or hoop houses used for propagating, growing, or
19 overwintering plants shall be considered farm machinery and
20 equipment under this item (2). Agricultural chemical tender
21 tanks and dry boxes shall include units sold separately from
22 a motor vehicle required to be licensed and units sold
23 mounted on a motor vehicle required to be licensed, if the
24 selling price of the tender is separately stated.

25 Farm machinery and equipment shall include precision
26 farming equipment that is installed or purchased to be
27 installed on farm machinery and equipment including, but not
28 limited to, tractors, harvesters, sprayers, planters,
29 seeders, or spreaders. Precision farming equipment includes,
30 but is not limited to, soil testing sensors, computers,
31 monitors, software, global positioning and mapping systems,
32 and other such equipment.

33 Farm machinery and equipment also includes computers,
34 sensors, software, and related equipment used primarily in

1 the computer-assisted operation of production agriculture
2 facilities, equipment, and activities such as, but not
3 limited to, the collection, monitoring, and correlation of
4 animal and crop data for the purpose of formulating animal
5 diets and agricultural chemicals. This item (7) is exempt
6 from the provisions of Section 2-70.

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

13 (4) Graphic arts machinery and equipment, including
14 repair and replacement parts, both new and used, and
15 including that manufactured on special order or purchased for
16 lease, certified by the purchaser to be used primarily for
17 graphic arts production. Equipment includes chemicals or
18 chemicals acting as catalysts but only if the chemicals or
19 chemicals acting as catalysts effect a direct and immediate
20 change upon a graphic arts product.

21 (5) A motor vehicle of the first division, a motor
22 vehicle of the second division that is a self-contained motor
23 vehicle designed or permanently converted to provide living
24 quarters for recreational, camping, or travel use, with
25 direct walk through access to the living quarters from the
26 driver's seat, or a motor vehicle of the second division that
27 is of the van configuration designed for the transportation
28 of not less than 7 nor more than 16 passengers, as defined in
29 Section 1-146 of the Illinois Vehicle Code, that is used for
30 automobile renting, as defined in the Automobile Renting
31 Occupation and Use Tax Act.

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

1 (7) Proceeds of that portion of the selling price of a
2 passenger car the sale of which is subject to the Replacement
3 Vehicle Tax.

4 (8) Personal property sold to an Illinois county fair
5 association for use in conducting, operating, or promoting
6 the county fair.

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

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

29 (11) Personal property sold to a governmental body, to a
30 corporation, society, association, foundation, or institution
31 organized and operated exclusively for charitable, religious,
32 or educational purposes, or to a not-for-profit corporation,
33 society, association, foundation, institution, or
34 organization that has no compensated officers or employees

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

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

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

26 (14) Machinery and equipment that will be used by the
27 purchaser, or a lessee of the purchaser, primarily in the
28 process of manufacturing or assembling tangible personal
29 property for wholesale or retail sale or lease, whether the
30 sale or lease is made directly by the manufacturer or by some
31 other person, whether the materials used in the process are
32 owned by the manufacturer or some other person, or whether
33 the sale or lease is made apart from or as an incident to the
34 seller's engaging in the service occupation of producing

1 machines, tools, dies, jigs, patterns, gauges, or other
2 similar items of no commercial value on special order for a
3 particular purchaser.

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

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

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

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

27 (19) Oil field exploration, drilling, and production
28 equipment, including (i) rigs and parts of rigs, rotary rigs,
29 cable tool rigs, and workover rigs, (ii) pipe and tubular
30 goods, including casing and drill strings, (iii) pumps and
31 pump-jack units, (iv) storage tanks and flow lines, (v) any
32 individual replacement part for oil field exploration,
33 drilling, and production equipment, and (vi) machinery and
34 equipment purchased for lease; but excluding motor vehicles

1 required to be registered under the Illinois Vehicle Code.

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

8 (21) Coal exploration, mining, offhighway hauling,
9 processing, maintenance, and reclamation equipment, including
10 replacement parts and equipment, and including equipment
11 purchased for lease, but excluding motor vehicles required to
12 be registered under the Illinois Vehicle Code.

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

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

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

30 (25) A motor vehicle sold in this State to a nonresident
31 even though the motor vehicle is delivered to the nonresident
32 in this State, if the motor vehicle is not to be titled in
33 this State, and if a drive-away permit is issued to the motor
34 vehicle as provided in Section 3-603 of the Illinois Vehicle

1 Code or if the nonresident purchaser has vehicle registration
2 plates to transfer to the motor vehicle upon returning to his
3 or her home state. The issuance of the drive-away permit or
4 having the out-of-state registration plates to be transferred
5 is prima facie evidence that the motor vehicle will not be
6 titled in this State.

7 (26) Semen used for artificial insemination of livestock
8 for direct agricultural production.

9 (27) Horses, or interests in horses, registered with and
10 meeting the requirements of any of the Arabian Horse Club
11 Registry of America, Appaloosa Horse Club, American Quarter
12 Horse Association, United States Trotting Association, or
13 Jockey Club, as appropriate, used for purposes of breeding or
14 racing for prizes.

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

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

28 (30) Beginning with taxable years ending on or after
29 December 31, 1995 and ending with taxable years ending on or
30 before December 31, 2004, personal property that is donated
31 for disaster relief to be used in a State or federally
32 declared disaster area in Illinois or bordering Illinois by a
33 manufacturer or retailer that is registered in this State to
34 a corporation, society, association, foundation, or

1 institution that has been issued a sales tax exemption
2 identification number by the Department that assists victims
3 of the disaster who reside within the declared disaster area.

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

17 (32) Beginning July 1, 1999, game or game birds sold at
18 a "game breeding and hunting preserve area" or an "exotic
19 game hunting area" as those terms are used in the Wildlife
20 Code or at a hunting enclosure approved through rules adopted
21 by the Department of Natural Resources. This paragraph is
22 exempt from the provisions of Section 2-70.

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

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

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

22 (35) Beginning January 1, 2000 and through December 31,
23 2001, new or used automatic vending machines that prepare and
24 serve hot food and beverages, including coffee, soup, and
25 other items, and replacement parts for these machines.
26 Beginning January 1, 2002, machines and parts for machines
27 used in commercial, coin-operated amusement and vending
28 business if a use or occupation tax is paid on the gross
29 receipts derived from the use of the commercial,
30 coin-operated amusement and vending machines. This paragraph
31 is exempt from the provisions of Section 2-70.

32 (35-5) ~~(36)~~ Food for human consumption that is to be
33 consumed off the premises where it is sold (other than
34 alcoholic beverages, soft drinks, and food that has been

1 prepared for immediate consumption) and prescription and
2 nonprescription medicines, drugs, medical appliances, and
3 insulin, urine testing materials, syringes, and needles used
4 by diabetics, for human use, when purchased for use by a
5 person receiving medical assistance under Article 5 of the
6 Illinois Public Aid Code who resides in a licensed long-term
7 care facility, as defined in the Nursing Home Care Act.

8 (36) Beginning August 2, 2001 ~~on-the-effective--date--of~~
9 ~~this--amendatory--Act-of-the-92nd-General-Assembly~~, computers
10 and communications equipment utilized for any hospital
11 purpose and equipment used in the diagnosis, analysis, or
12 treatment of hospital patients sold to a lessor who leases
13 the equipment, under a lease of one year or longer executed
14 or in effect at the time of the purchase, to a hospital that
15 has been issued an active tax exemption identification number
16 by the Department under Section 1g of this Act. This
17 paragraph is exempt from the provisions of Section 2-70.

18 (37) Beginning August 2, 2001 ~~on-the-effective--date--of~~
19 ~~this--amendatory--Act--of-the-92nd-General-Assembly~~, personal
20 property sold to a lessor who leases the property, under a
21 lease of one year or longer executed or in effect at the time
22 of the purchase, to a governmental body that has been issued
23 an active tax exemption identification number by the
24 Department under Section 1g of this Act. This paragraph is
25 exempt from the provisions of Section 2-70.

26 (38) Beginning on January 1, 2002, tangible personal
27 property purchased from an Illinois retailer by a taxpayer
28 engaged in centralized purchasing activities in Illinois who
29 will, upon receipt of the property in Illinois, temporarily
30 store the property in Illinois (i) for the purpose of
31 subsequently transporting it outside this State for use or
32 consumption thereafter solely outside this State or (ii) for
33 the purpose of being processed, fabricated, or manufactured
34 into, attached to, or incorporated into other tangible

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

15 (39) Beginning on January 1, 2004, American flags, poles
16 intended to serve as flagstaffs for American flags, and
17 American flag sets or kits. This paragraph is exempt from
18 the provisions of Section 2-70.

19 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
20 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
21 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
22 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
23 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
24 7-11-02; 92-680, eff. 7-16-02; revised 1-26-03.)

25 Section 99. Effective date. This Act takes effect
26 January 1, 2004.