



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB0023

Introduced 1/14/2009, by Rep. Arthur L. Turner

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	from Ch. 120, par. 439.3-5
35 ILCS 105/3-85	
35 ILCS 110/3-5	from Ch. 120, par. 439.33-5
35 ILCS 110/3-70	
35 ILCS 115/3-5	from Ch. 120, par. 439.103-5
35 ILCS 120/2-5	from Ch. 120, par. 441-5

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Extends the exemption for graphic arts machinery and equipment and the manufacturer's purchase credit until August 30, 2014 (now, those provisions are due to expire on July 30, 2009 pursuant to the Acts' automatic sunset provisions found at 35 ILCS 105/3-90; 35 ILCS 110/3-75; 35 ILCS 115/3-55; and 35 ILCS 120/2-70). Effective immediately.

LRB096 02995 HLH 13009 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 3-85 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 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 the effective date
7 of this amendatory Act of the 92nd General Assembly, however,
8 an entity otherwise eligible for this exemption shall not make
9 tax-free purchases unless it has an active identification
10 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.

12 (7) Farm chemicals.

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

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

20 (10) A motor vehicle of the first division, a motor vehicle
21 of the second division that is a self-contained motor vehicle
22 designed or permanently converted to provide living quarters
23 for recreational, camping, or travel use, with direct walk
24 through to the living quarters from the driver's seat, or a
25 motor vehicle of the second division that is of the van
26 configuration designed for the transportation of not less than

1 7 nor more than 16 passengers, as defined in Section 1-146 of
2 the Illinois Vehicle Code, that is used for automobile renting,
3 as defined in the Automobile Renting Occupation and Use Tax
4 Act.

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

24 Farm machinery and equipment shall include precision
25 farming equipment that is installed or purchased to be
26 installed on farm machinery and equipment including, but not

1 limited to, tractors, harvesters, sprayers, planters, seeders,
2 or spreaders. Precision farming equipment includes, but is not
3 limited to, soil testing sensors, computers, monitors,
4 software, global positioning and mapping systems, and other
5 such equipment.

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

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

21 (13) Proceeds of mandatory service charges separately
22 stated on customers' bills for the purchase and consumption of
23 food and beverages purchased at retail from a retailer, to the
24 extent that the proceeds of the service charge are in fact
25 turned over as tips or as a substitute for tips to the
26 employees who participate directly in preparing, serving,

1 hosting or cleaning up the food or beverage function with
2 respect to which the service charge is imposed.

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

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

17 (16) Until July 1, 2003, coal exploration, mining,
18 offhighway hauling, processing, maintenance, and reclamation
19 equipment, including replacement parts and equipment, and
20 including equipment purchased for lease, but excluding motor
21 vehicles required to be registered under the Illinois Vehicle
22 Code.

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

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

3 (18) Manufacturing and assembling machinery and equipment
4 used primarily in the process of manufacturing or assembling
5 tangible personal property for wholesale or retail sale or
6 lease, whether that sale or lease is made directly by the
7 manufacturer or by some other person, whether the materials
8 used in the process are owned by the manufacturer or some other
9 person, or whether that sale or lease is made apart from or as
10 an incident to the seller's engaging in the service occupation
11 of producing machines, tools, dies, jigs, patterns, gauges, or
12 other similar items of no commercial value on special order for
13 a particular purchaser.

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

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

21 (21) Horses, or interests in horses, registered with and
22 meeting the requirements of any of the Arabian Horse Club
23 Registry of America, Appaloosa Horse Club, American Quarter
24 Horse Association, United States Trotting Association, or
25 Jockey Club, as appropriate, used for purposes of breeding or
26 racing for prizes. This item (21) is exempt from the provisions

1 of Section 3-90, and the exemption provided for under this item
2 (21) applies for all periods beginning May 30, 1995, but no
3 claim for credit or refund is allowed on or after January 1,
4 2008 for such taxes paid during the period beginning May 30,
5 2000 and ending on January 1, 2008.

6 (22) 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 Service Use Tax Act, as the
18 case may be, based on the fair market value of the property at
19 the time the non-qualifying use occurs. No lessor shall collect
20 or attempt to collect an amount (however designated) that
21 purports to reimburse that lessor for the tax imposed by this
22 Act or the Service Use Tax Act, as the case may be, if the tax
23 has not been paid by the lessor. If a lessor improperly
24 collects any such amount from the lessee, the lessee shall have
25 a legal right to claim a refund of that amount from the lessor.
26 If, however, that amount is not refunded to the lessee for any

1 reason, the lessor is liable to pay that amount to the
2 Department.

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

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

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

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

25 (27) A motor vehicle, as that term is defined in Section
26 1-146 of the Illinois Vehicle Code, that is donated to a

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

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

1 another individual or entity that sold the property for the
2 purpose of resale by the fundraising entity and that profits
3 from the sale to the fundraising entity. This paragraph is
4 exempt from the provisions of Section 3-90.

5 (29) Beginning January 1, 2000 and through December 31,
6 2001, new or used automatic vending machines that prepare and
7 serve hot food and beverages, including coffee, soup, and other
8 items, and replacement parts for these machines. Beginning
9 January 1, 2002 and through June 30, 2003, machines and parts
10 for machines used in commercial, coin-operated amusement and
11 vending business if a use or occupation tax is paid on the
12 gross receipts derived from the use of the commercial,
13 coin-operated amusement and vending machines. This paragraph
14 is exempt from the provisions of Section 3-90.

15 (30) Beginning January 1, 2001 and through June 30, 2011,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages, soft
18 drinks, and food that has been prepared for immediate
19 consumption) and prescription and nonprescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article 5 of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act.

26 (31) Beginning on the effective date of this amendatory Act

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

25 (32) Beginning on the effective date of this amendatory Act
26 of the 92nd General Assembly, personal property purchased by a

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

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

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

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

22 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
23 eff. 1-1-08; 95-876, eff. 8-21-08.)

24 (35 ILCS 105/3-85)

25 Sec. 3-85. Manufacturer's Purchase Credit. For purchases

1 of machinery and equipment made on and after January 1, 1995
2 through June 30, 2003, and on and after September 1, 2004
3 through August 30, 2014, a purchaser of manufacturing machinery
4 and equipment that qualifies for the exemption provided by
5 paragraph (18) of Section 3-5 of this Act earns a credit in an
6 amount equal to a fixed percentage of the tax which would have
7 been incurred under this Act on those purchases. For purchases
8 of graphic arts machinery and equipment made on or after July
9 1, 1996 and through June 30, 2003, and on and after September
10 1, 2004 through August 30, 2014, a purchaser of graphic arts
11 machinery and equipment that qualifies for the exemption
12 provided by paragraph (6) of Section 3-5 of this Act earns a
13 credit in an amount equal to a fixed percentage of the tax that
14 would have been incurred under this Act on those purchases. The
15 credit earned for purchases of manufacturing machinery and
16 equipment or graphic arts machinery and equipment shall be
17 referred to as the Manufacturer's Purchase Credit. A graphic
18 arts producer is a person engaged in graphic arts production as
19 defined in Section 2-30 of the Retailers' Occupation Tax Act.
20 Beginning July 1, 1996, all references in this Section to
21 manufacturers or manufacturing shall also be deemed to refer to
22 graphic arts producers or graphic arts production.

23 The amount of credit shall be a percentage of the tax that
24 would have been incurred on the purchase of manufacturing
25 machinery and equipment or graphic arts machinery and equipment
26 if the exemptions provided by paragraph (6) or paragraph (18)

1 of Section 3-5 of this Act had not been applicable. The
2 percentage shall be as follows:

3 (1) 15% for purchases made on or before June 30, 1995.

4 (2) 25% for purchases made after June 30, 1995, and on
5 or before June 30, 1996.

6 (3) 40% for purchases made after June 30, 1996, and on
7 or before June 30, 1997.

8 (4) 50% for purchases made on or after July 1, 1997.

9 (a) Manufacturer's Purchase Credit earned prior to July 1,
10 2003. This subsection (a) applies to Manufacturer's Purchase
11 Credit earned prior to July 1, 2003. A purchaser of production
12 related tangible personal property desiring to use the
13 Manufacturer's Purchase Credit shall certify to the seller
14 prior to October 1, 2003 that the purchaser is satisfying all
15 or part of the liability under the Use Tax Act or the Service
16 Use Tax Act that is due on the purchase of the production
17 related tangible personal property by use of Manufacturer's
18 Purchase Credit. The Manufacturer's Purchase Credit
19 certification must be dated and shall include the name and
20 address of the purchaser, the purchaser's registration number,
21 if registered, the credit being applied, and a statement that
22 the State Use Tax or Service Use Tax liability is being
23 satisfied with the manufacturer's or graphic arts producer's
24 accumulated purchase credit. Certification may be incorporated
25 into the manufacturer's or graphic arts producer's purchase
26 order. Manufacturer's Purchase Credit certification provided

1 by the manufacturer or graphic arts producer prior to October
2 1, 2003 may be used to satisfy the retailer's or serviceman's
3 liability under the Retailers' Occupation Tax Act or Service
4 Occupation Tax Act for the credit claimed, not to exceed 6.25%
5 of the receipts subject to tax from a qualifying purchase, but
6 only if the retailer or serviceman reports the Manufacturer's
7 Purchase Credit claimed as required by the Department. A
8 Manufacturer's Purchase Credit reported on any original or
9 amended return filed under this Act after October 20, 2003
10 shall be disallowed. The Manufacturer's Purchase Credit earned
11 by purchase of exempt manufacturing machinery and equipment or
12 graphic arts machinery and equipment is a non-transferable
13 credit. A manufacturer or graphic arts producer that enters
14 into a contract involving the installation of tangible personal
15 property into real estate within a manufacturing or graphic
16 arts production facility may, prior to October 1, 2003,
17 authorize a construction contractor to utilize credit
18 accumulated by the manufacturer or graphic arts producer to
19 purchase the tangible personal property. A manufacturer or
20 graphic arts producer intending to use accumulated credit to
21 purchase such tangible personal property shall execute a
22 written contract authorizing the contractor to utilize a
23 specified dollar amount of credit. The contractor shall
24 furnish, prior to October 1, 2003, the supplier with the
25 manufacturer's or graphic arts producer's name, registration
26 or resale number, and a statement that a specific amount of the

1 Use Tax or Service Use Tax liability, not to exceed 6.25% of
2 the selling price, is being satisfied with the credit. The
3 manufacturer or graphic arts producer shall remain liable to
4 timely report all information required by the annual Report of
5 Manufacturer's Purchase Credit Used for all credit utilized by
6 a construction contractor.

7 No Manufacturer's Purchase Credit earned prior to July 1,
8 2003 may be used after October 1, 2003. The Manufacturer's
9 Purchase Credit may be used to satisfy liability under the Use
10 Tax Act or the Service Use Tax Act due on the purchase of
11 production related tangible personal property (including
12 purchases by a manufacturer, by a graphic arts producer, or by
13 a lessor who rents or leases the use of the property to a
14 manufacturer or graphic arts producer) that does not otherwise
15 qualify for the manufacturing machinery and equipment
16 exemption or the graphic arts machinery and equipment
17 exemption. "Production related tangible personal property"
18 means (i) all tangible personal property used or consumed by
19 the purchaser in a manufacturing facility in which a
20 manufacturing process described in Section 2-45 of the
21 Retailers' Occupation Tax Act takes place, including tangible
22 personal property purchased for incorporation into real estate
23 within a manufacturing facility and including, but not limited
24 to, tangible personal property used or consumed in activities
25 such as preproduction material handling, receiving, quality
26 control, inventory control, storage, staging, and packaging

1 for shipping and transportation purposes; (ii) all tangible
2 personal property used or consumed by the purchaser in a
3 graphic arts facility in which graphic arts production as
4 described in Section 2-30 of the Retailers' Occupation Tax Act
5 takes place, including tangible personal property purchased
6 for incorporation into real estate within a graphic arts
7 facility and including, but not limited to, all tangible
8 personal property used or consumed in activities such as
9 graphic arts preliminary or pre-press production,
10 pre-production material handling, receiving, quality control,
11 inventory control, storage, staging, sorting, labeling,
12 mailing, tying, wrapping, and packaging; and (iii) all tangible
13 personal property used or consumed by the purchaser for
14 research and development. "Production related tangible
15 personal property" does not include (i) tangible personal
16 property used, within or without a manufacturing facility, in
17 sales, purchasing, accounting, fiscal management, marketing,
18 personnel recruitment or selection, or landscaping or (ii)
19 tangible personal property required to be titled or registered
20 with a department, agency, or unit of federal, state, or local
21 government. The Manufacturer's Purchase Credit may be used,
22 prior to October 1, 2003, to satisfy the tax arising either
23 from the purchase of machinery and equipment on or after
24 January 1, 1995 for which the exemption provided by paragraph
25 (18) of Section 3-5 of this Act was erroneously claimed, or the
26 purchase of machinery and equipment on or after July 1, 1996

1 for which the exemption provided by paragraph (6) of Section
2 3-5 of this Act was erroneously claimed, but not in
3 satisfaction of penalty, if any, and interest for failure to
4 pay the tax when due. A purchaser of production related
5 tangible personal property who is required to pay Illinois Use
6 Tax or Service Use Tax on the purchase directly to the
7 Department may, prior to October 1, 2003, utilize the
8 Manufacturer's Purchase Credit in satisfaction of the tax
9 arising from that purchase, but not in satisfaction of penalty
10 and interest. A purchaser who uses the Manufacturer's Purchase
11 Credit to purchase property which is later determined not to be
12 production related tangible personal property may be liable for
13 tax, penalty, and interest on the purchase of that property as
14 of the date of purchase but shall be entitled to use the
15 disallowed Manufacturer's Purchase Credit, so long as it has
16 not expired and is used prior to October 1, 2003, on qualifying
17 purchases of production related tangible personal property not
18 previously subject to credit usage. The Manufacturer's
19 Purchase Credit earned by a manufacturer or graphic arts
20 producer expires the last day of the second calendar year
21 following the calendar year in which the credit arose. No
22 Manufacturer's Purchase Credit may be used after September 30,
23 2003 regardless of when that credit was earned.

24 A purchaser earning Manufacturer's Purchase Credit shall
25 sign and file an annual Report of Manufacturer's Purchase
26 Credit Earned for each calendar year no later than the last day

1 of the sixth month following the calendar year in which a
2 Manufacturer's Purchase Credit is earned. A Report of
3 Manufacturer's Purchase Credit Earned shall be filed on forms
4 as prescribed or approved by the Department and shall state,
5 for each month of the calendar year: (i) the total purchase
6 price of all purchases of exempt manufacturing or graphic arts
7 machinery on which the credit was earned; (ii) the total State
8 Use Tax or Service Use Tax which would have been due on those
9 items; (iii) the percentage used to calculate the amount of
10 credit earned; (iv) the amount of credit earned; and (v) such
11 other information as the Department may reasonably require. A
12 purchaser earning Manufacturer's Purchase Credit shall
13 maintain records which identify, as to each purchase of
14 manufacturing or graphic arts machinery and equipment on which
15 the purchaser earned Manufacturer's Purchase Credit, the
16 vendor (including, if applicable, either the vendor's
17 registration number or Federal Employer Identification
18 Number), the purchase price, and the amount of Manufacturer's
19 Purchase Credit earned on each purchase.

20 A purchaser using Manufacturer's Purchase Credit shall
21 sign and file an annual Report of Manufacturer's Purchase
22 Credit Used for each calendar year no later than the last day
23 of the sixth month following the calendar year in which a
24 Manufacturer's Purchase Credit is used. A Report of
25 Manufacturer's Purchase Credit Used shall be filed on forms as
26 prescribed or approved by the Department and shall state, for

1 each month of the calendar year: (i) the total purchase price
2 of production related tangible personal property purchased
3 from Illinois suppliers; (ii) the total purchase price of
4 production related tangible personal property purchased from
5 out-of-state suppliers; (iii) the total amount of credit used
6 during such month; and (iv) such other information as the
7 Department may reasonably require. A purchaser using
8 Manufacturer's Purchase Credit shall maintain records that
9 identify, as to each purchase of production related tangible
10 personal property on which the purchaser used Manufacturer's
11 Purchase Credit, the vendor (including, if applicable, either
12 the vendor's registration number or Federal Employer
13 Identification Number), the purchase price, and the amount of
14 Manufacturer's Purchase Credit used on each purchase.

15 No annual report shall be filed before May 1, 1996 or after
16 June 30, 2004. A purchaser that fails to file an annual Report
17 of Manufacturer's Purchase Credit Earned or an annual Report of
18 Manufacturer's Purchase Credit Used by the last day of the
19 sixth month following the end of the calendar year shall
20 forfeit all Manufacturer's Purchase Credit for that calendar
21 year unless it establishes that its failure to file was due to
22 reasonable cause. Manufacturer's Purchase Credit reports may
23 be amended to report and claim credit on qualifying purchases
24 not previously reported at any time before the credit would
25 have expired, unless both the Department and the purchaser have
26 agreed to an extension of the statute of limitations for the

1 issuance of a notice of tax liability as provided in Section 4
2 of the Retailers' Occupation Tax Act. If the time for
3 assessment or refund has been extended, then amended reports
4 for a calendar year may be filed at any time prior to the date
5 to which the statute of limitations for the calendar year or
6 portion thereof has been extended. No Manufacturer's Purchase
7 Credit report filed with the Department for periods prior to
8 January 1, 1995 shall be approved. Manufacturer's Purchase
9 Credit claimed on an amended report may be used, until October
10 1, 2003, to satisfy tax liability under the Use Tax Act or the
11 Service Use Tax Act (i) on qualifying purchases of production
12 related tangible personal property made after the date the
13 amended report is filed or (ii) assessed by the Department on
14 qualifying purchases of production related tangible personal
15 property made in the case of manufacturers on or after January
16 1, 1995, or in the case of graphic arts producers on or after
17 July 1, 1996.

18 If the purchaser is not the manufacturer or a graphic arts
19 producer, but rents or leases the use of the property to a
20 manufacturer or graphic arts producer, the purchaser may earn,
21 report, and use Manufacturer's Purchase Credit in the same
22 manner as a manufacturer or graphic arts producer.

23 A purchaser shall not be entitled to any Manufacturer's
24 Purchase Credit for a purchase that is required to be reported
25 and is not timely reported as provided in this Section. A
26 purchaser remains liable for (i) any tax that was satisfied by

1 use of a Manufacturer's Purchase Credit, as of the date of
2 purchase, if that use is not timely reported as required in
3 this Section and (ii) for any applicable penalties and interest
4 for failing to pay the tax when due. No Manufacturer's Purchase
5 Credit may be used after September 30, 2003 to satisfy any tax
6 liability imposed under this Act, including any audit
7 liability.

8 (b) Manufacturer's Purchase Credit earned on and after
9 September 1, 2004. This subsection (b) applies to
10 Manufacturer's Purchase Credit earned on and after September 1,
11 2004. Manufacturer's Purchase Credit earned on or after
12 September 1, 2004 may only be used to satisfy the Use Tax or
13 Service Use Tax liability incurred on production related
14 tangible personal property purchased on or after September 1,
15 2004. A purchaser of production related tangible personal
16 property desiring to use the Manufacturer's Purchase Credit
17 shall certify to the seller that the purchaser is satisfying
18 all or part of the liability under the Use Tax Act or the
19 Service Use Tax Act that is due on the purchase of the
20 production related tangible personal property by use of
21 Manufacturer's Purchase Credit. The Manufacturer's Purchase
22 Credit certification must be dated and shall include the name
23 and address of the purchaser, the purchaser's registration
24 number, if registered, the credit being applied, and a
25 statement that the State Use Tax or Service Use Tax liability
26 is being satisfied with the manufacturer's or graphic arts

1 producer's accumulated purchase credit. Certification may be
2 incorporated into the manufacturer's or graphic arts
3 producer's purchase order. Manufacturer's Purchase Credit
4 certification provided by the manufacturer or graphic arts
5 producer may be used to satisfy the retailer's or serviceman's
6 liability under the Retailers' Occupation Tax Act or Service
7 Occupation Tax Act for the credit claimed, not to exceed 6.25%
8 of the receipts subject to tax from a qualifying purchase, but
9 only if the retailer or serviceman reports the Manufacturer's
10 Purchase Credit claimed as required by the Department. The
11 Manufacturer's Purchase Credit earned by purchase of exempt
12 manufacturing machinery and equipment or graphic arts
13 machinery and equipment is a non-transferable credit. A
14 manufacturer or graphic arts producer that enters into a
15 contract involving the installation of tangible personal
16 property into real estate within a manufacturing or graphic
17 arts production facility may, on or after September 1, 2004,
18 authorize a construction contractor to utilize credit
19 accumulated by the manufacturer or graphic arts producer to
20 purchase the tangible personal property. A manufacturer or
21 graphic arts producer intending to use accumulated credit to
22 purchase such tangible personal property shall execute a
23 written contract authorizing the contractor to utilize a
24 specified dollar amount of credit. The contractor shall furnish
25 the supplier with the manufacturer's or graphic arts producer's
26 name, registration or resale number, and a statement that a

1 specific amount of the Use Tax or Service Use Tax liability,
2 not to exceed 6.25% of the selling price, is being satisfied
3 with the credit. The manufacturer or graphic arts producer
4 shall remain liable to timely report all information required
5 by the annual Report of Manufacturer's Purchase Credit Used for
6 all credit utilized by a construction contractor.

7 The Manufacturer's Purchase Credit may be used to satisfy
8 liability under the Use Tax Act or the Service Use Tax Act due
9 on the purchase, made on or after September 1, 2004, of
10 production related tangible personal property (including
11 purchases by a manufacturer, by a graphic arts producer, or by
12 a lessor who rents or leases the use of the property to a
13 manufacturer or graphic arts producer) that does not otherwise
14 qualify for the manufacturing machinery and equipment
15 exemption or the graphic arts machinery and equipment
16 exemption. "Production related tangible personal property"
17 means (i) all tangible personal property used or consumed by
18 the purchaser in a manufacturing facility in which a
19 manufacturing process described in Section 2-45 of the
20 Retailers' Occupation Tax Act takes place, including tangible
21 personal property purchased for incorporation into real estate
22 within a manufacturing facility and including, but not limited
23 to, tangible personal property used or consumed in activities
24 such as preproduction material handling, receiving, quality
25 control, inventory control, storage, staging, and packaging
26 for shipping and transportation purposes; (ii) all tangible

1 personal property used or consumed by the purchaser in a
2 graphic arts facility in which graphic arts production as
3 described in Section 2-30 of the Retailers' Occupation Tax Act
4 takes place, including tangible personal property purchased
5 for incorporation into real estate within a graphic arts
6 facility and including, but not limited to, all tangible
7 personal property used or consumed in activities such as
8 graphic arts preliminary or pre-press production,
9 pre-production material handling, receiving, quality control,
10 inventory control, storage, staging, sorting, labeling,
11 mailing, tying, wrapping, and packaging; and (iii) all tangible
12 personal property used or consumed by the purchaser for
13 research and development. "Production related tangible
14 personal property" does not include (i) tangible personal
15 property used, within or without a manufacturing facility, in
16 sales, purchasing, accounting, fiscal management, marketing,
17 personnel recruitment or selection, or landscaping or (ii)
18 tangible personal property required to be titled or registered
19 with a department, agency, or unit of federal, state, or local
20 government. The Manufacturer's Purchase Credit may be used to
21 satisfy the tax arising either from the purchase of machinery
22 and equipment on or after September 1, 2004 for which the
23 exemption provided by paragraph (18) of Section 3-5 of this Act
24 was erroneously claimed, or the purchase of machinery and
25 equipment on or after September 1, 2004 for which the exemption
26 provided by paragraph (6) of Section 3-5 of this Act was

1 erroneously claimed, but not in satisfaction of penalty, if
2 any, and interest for failure to pay the tax when due. A
3 purchaser of production related tangible personal property
4 that is purchased on or after September 1, 2004 who is required
5 to pay Illinois Use Tax or Service Use Tax on the purchase
6 directly to the Department may utilize the Manufacturer's
7 Purchase Credit in satisfaction of the tax arising from that
8 purchase, but not in satisfaction of penalty and interest. A
9 purchaser who uses the Manufacturer's Purchase Credit to
10 purchase property on and after September 1, 2004 which is later
11 determined not to be production related tangible personal
12 property may be liable for tax, penalty, and interest on the
13 purchase of that property as of the date of purchase but shall
14 be entitled to use the disallowed Manufacturer's Purchase
15 Credit, so long as it has not expired and is used on qualifying
16 purchases of production related tangible personal property not
17 previously subject to credit usage. The Manufacturer's
18 Purchase Credit earned by a manufacturer or graphic arts
19 producer expires the last day of the second calendar year
20 following the calendar year in which the credit arose. A
21 purchaser earning Manufacturer's Purchase Credit shall sign
22 and file an annual Report of Manufacturer's Purchase Credit
23 Earned for each calendar year no later than the last day of the
24 sixth month following the calendar year in which a
25 Manufacturer's Purchase Credit is earned. A Report of
26 Manufacturer's Purchase Credit Earned shall be filed on forms

1 as prescribed or approved by the Department and shall state,
2 for each month of the calendar year: (i) the total purchase
3 price of all purchases of exempt manufacturing or graphic arts
4 machinery on which the credit was earned; (ii) the total State
5 Use Tax or Service Use Tax which would have been due on those
6 items; (iii) the percentage used to calculate the amount of
7 credit earned; (iv) the amount of credit earned; and (v) such
8 other information as the Department may reasonably require. A
9 purchaser earning Manufacturer's Purchase Credit shall
10 maintain records which identify, as to each purchase of
11 manufacturing or graphic arts machinery and equipment on which
12 the purchaser earned Manufacturer's Purchase Credit, the
13 vendor (including, if applicable, either the vendor's
14 registration number or Federal Employer Identification
15 Number), the purchase price, and the amount of Manufacturer's
16 Purchase Credit earned on each purchase. A purchaser using
17 Manufacturer's Purchase Credit shall sign and file an annual
18 Report of Manufacturer's Purchase Credit Used for each calendar
19 year no later than the last day of the sixth month following
20 the calendar year in which a Manufacturer's Purchase Credit is
21 used. A Report of Manufacturer's Purchase Credit Used shall be
22 filed on forms as prescribed or approved by the Department and
23 shall state, for each month of the calendar year: (i) the total
24 purchase price of production related tangible personal
25 property purchased from Illinois suppliers; (ii) the total
26 purchase price of production related tangible personal

1 property purchased from out-of-state suppliers; (iii) the
2 total amount of credit used during such month; and (iv) such
3 other information as the Department may reasonably require. A
4 purchaser using Manufacturer's Purchase Credit shall maintain
5 records that identify, as to each purchase of production
6 related tangible personal property on which the purchaser used
7 Manufacturer's Purchase Credit, the vendor (including, if
8 applicable, either the vendor's registration number or Federal
9 Employer Identification Number), the purchase price, and the
10 amount of Manufacturer's Purchase Credit used on each purchase.

11 A purchaser that fails to file an annual Report of
12 Manufacturer's Purchase Credit Earned or an annual Report of
13 Manufacturer's Purchase Credit Used by the last day of the
14 sixth month following the end of the calendar year shall
15 forfeit all Manufacturer's Purchase Credit for that calendar
16 year unless it establishes that its failure to file was due to
17 reasonable cause. Manufacturer's Purchase Credit reports may
18 be amended to report and claim credit on qualifying purchases
19 not previously reported at any time before the credit would
20 have expired, unless both the Department and the purchaser have
21 agreed to an extension of the statute of limitations for the
22 issuance of a notice of tax liability as provided in Section 4
23 of the Retailers' Occupation Tax Act. If the time for
24 assessment or refund has been extended, then amended reports
25 for a calendar year may be filed at any time prior to the date
26 to which the statute of limitations for the calendar year or

1 portion thereof has been extended. Manufacturer's Purchase
2 Credit claimed on an amended report may be used to satisfy tax
3 liability under the Use Tax Act or the Service Use Tax Act (i)
4 on qualifying purchases of production related tangible
5 personal property made after the date the amended report is
6 filed or (ii) assessed by the Department on qualifying
7 production related tangible personal property purchased on or
8 after September 1, 2004. If the purchaser is not the
9 manufacturer or a graphic arts producer, but rents or leases
10 the use of the property to a manufacturer or graphic arts
11 producer, the purchaser may earn, report, and use
12 Manufacturer's Purchase Credit in the same manner as a
13 manufacturer or graphic arts producer. A purchaser shall not be
14 entitled to any Manufacturer's Purchase Credit for a purchase
15 that is required to be reported and is not timely reported as
16 provided in this Section. A purchaser remains liable for (i)
17 any tax that was satisfied by use of a Manufacturer's Purchase
18 Credit, as of the date of purchase, if that use is not timely
19 reported as required in this Section and (ii) for any
20 applicable penalties and interest for failing to pay the tax
21 when due.

22 (Source: P.A. 93-24, eff. 6-20-03; 93-840, eff. 7-30-04.)

23 Section 10. The Service Use Tax Act is amended by changing
24 Sections 3-5 and 3-70 as follows:

1 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

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

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

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

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

1 tax-free purchases unless it has an active identification
2 number issued by the Department.

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

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

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

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

1 chemical and fertilizer spreaders, and nurse wagons required to
2 be registered under Section 3-809 of the Illinois Vehicle Code,
3 but excluding other motor vehicles required to be registered
4 under the Illinois Vehicle Code. Horticultural polyhouses or
5 hoop houses used for propagating, growing, or overwintering
6 plants shall be considered farm machinery and equipment under
7 this item (7). Agricultural chemical tender tanks and dry boxes
8 shall include units sold separately from a motor vehicle
9 required to be licensed and units sold mounted on a motor
10 vehicle required to be licensed if the selling price of the
11 tender is separately stated.

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

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

1 provisions of Section 3-75.

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

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

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

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

7 (12) Until July 1, 2003, coal exploration, mining,
8 offhighway hauling, processing, maintenance, and reclamation
9 equipment, including replacement parts and equipment, and
10 including equipment purchased for lease, but excluding motor
11 vehicles required to be registered under the Illinois Vehicle
12 Code.

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

15 (14) Horses, or interests in horses, registered with and
16 meeting the requirements of any of the Arabian Horse Club
17 Registry of America, Appaloosa Horse Club, American Quarter
18 Horse Association, United States Trotting Association, or
19 Jockey Club, as appropriate, used for purposes of breeding or
20 racing for prizes. This item (14) is exempt from the provisions
21 of Section 3-75, and the exemption provided for under this item
22 (14) applies for all periods beginning May 30, 1995, but no
23 claim for credit or refund is allowed on or after the effective
24 date of this amendatory Act of the 95th General Assembly for
25 such taxes paid during the period beginning May 30, 2000 and
26 ending on the effective date of this amendatory Act of the 95th

1 General Assembly.

2 (15) 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 Use Tax Act, as the case may
14 be, based on the fair market value of the property at the time
15 the non-qualifying use occurs. No lessor shall collect or
16 attempt to collect an amount (however designated) that purports
17 to reimburse that lessor for the tax imposed by this Act or the
18 Use Tax Act, as the case may be, if the tax has not been paid by
19 the lessor. If a lessor improperly collects any such amount
20 from the lessee, the lessee shall have a legal right to claim a
21 refund of that amount from the lessor. If, however, that amount
22 is not refunded to the lessee for any reason, the lessor is
23 liable to pay that amount to the Department.

24 (16) Personal property purchased by a lessor who leases the
25 property, under a lease of one year or longer executed or in
26 effect at the time the lessor would otherwise be subject to the

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

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

1 who reside within the declared disaster area.

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

14 (19) Beginning July 1, 1999, game or game birds purchased
15 at a "game breeding and hunting preserve area" or an "exotic
16 game hunting area" as those terms are used in the Wildlife Code
17 or at a hunting enclosure approved through rules adopted by the
18 Department of Natural Resources. This paragraph is exempt from
19 the provisions of Section 3-75.

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

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

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

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

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

10 (23) Beginning August 23, 2001 and through June 30, 2011,
11 food for human consumption that is to be consumed off the
12 premises where it is sold (other than alcoholic beverages, soft
13 drinks, and food that has been prepared for immediate
14 consumption) and prescription and nonprescription medicines,
15 drugs, medical appliances, and insulin, urine testing
16 materials, syringes, and needles used by diabetics, for human
17 use, when purchased for use by a person receiving medical
18 assistance under Article 5 of the Illinois Public Aid Code who
19 resides in a licensed long-term care facility, as defined in
20 the Nursing Home Care Act.

21 (24) Beginning on the effective date of this amendatory Act
22 of the 92nd General Assembly, computers and communications
23 equipment utilized for any hospital purpose and equipment used
24 in the diagnosis, analysis, or treatment of hospital patients
25 purchased by a lessor who leases the equipment, under a lease
26 of one year or longer executed or in effect at the time the

1 lessor would otherwise be subject to the tax imposed by this
2 Act, to a hospital 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 equipment 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 (25) Beginning on the effective date of this amendatory Act
20 of the 92nd General Assembly, personal property purchased by a
21 lessor who leases the property, under a lease of one year or
22 longer executed or in effect at the time the lessor would
23 otherwise be subject to the tax imposed by this Act, to a
24 governmental body that has been issued an active tax exemption
25 identification number by the Department under Section 1g of the
26 Retailers' Occupation Tax Act. If the property is leased in a

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

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

22 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
23 eff. 1-1-08; 95-876, eff. 8-21-08.)

24 (35 ILCS 110/3-70)

25 Sec. 3-70. Manufacturer's Purchase Credit. For purchases

1 of machinery and equipment made on and after January 1, 1995
2 and through June 30, 2003, and on and after September 1, 2004
3 through August 30, 2014, a purchaser of manufacturing machinery
4 and equipment that qualifies for the exemption provided by
5 Section 2 of this Act earns a credit in an amount equal to a
6 fixed percentage of the tax which would have been incurred
7 under this Act on those purchases. For purchases of graphic
8 arts machinery and equipment made on or after July 1, 1996
9 through June 30, 2003, and on and after September 1, 2004
10 through August 30, 2014, a purchase of graphic arts machinery
11 and equipment that qualifies for the exemption provided by
12 paragraph (5) of Section 3-5 of this Act earns a credit in an
13 amount equal to a fixed percentage of the tax that would have
14 been incurred under this Act on those purchases. The credit
15 earned for the purchase of manufacturing machinery and
16 equipment and graphic arts machinery and equipment shall be
17 referred to as the Manufacturer's Purchase Credit. A graphic
18 arts producer is a person engaged in graphic arts production as
19 defined in Section 3-30 of the Service Occupation Tax Act.
20 Beginning July 1, 1996, all references in this Section to
21 manufacturers or manufacturing shall also refer to graphic arts
22 producers or graphic arts production.

23 The amount of credit shall be a percentage of the tax that
24 would have been incurred on the purchase of the manufacturing
25 machinery and equipment or graphic arts machinery and equipment
26 if the exemptions provided by Section 2 or paragraph (5) of

1 Section 3-5 of this Act had not been applicable.

2 All purchases prior to October 1, 2003 of manufacturing
3 machinery and equipment and graphic arts machinery and
4 equipment that qualify for the exemptions provided by paragraph
5 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
6 qualify for the credit without regard to whether the serviceman
7 elected, or could have elected, under paragraph (7) of Section
8 2 of this Act to exclude the transaction from this Act. If the
9 serviceman's billing to the service customer separately states
10 a selling price for the exempt manufacturing machinery or
11 equipment or the exempt graphic arts machinery and equipment,
12 the credit shall be calculated, as otherwise provided herein,
13 based on that selling price. If the serviceman's billing does
14 not separately state a selling price for the exempt
15 manufacturing machinery and equipment or the exempt graphic
16 arts machinery and equipment, the credit shall be calculated,
17 as otherwise provided herein, based on 50% of the entire
18 billing. If the serviceman contracts to design, develop, and
19 produce special order manufacturing machinery and equipment or
20 special order graphic arts machinery and equipment, and the
21 billing does not separately state a selling price for such
22 special order machinery and equipment, the credit shall be
23 calculated, as otherwise provided herein, based on 50% of the
24 entire billing. The provisions of this paragraph are effective
25 for purchases made on or after January 1, 1995.

26 The percentage shall be as follows:

1 (1) 15% for purchases made on or before June 30, 1995.

2 (2) 25% for purchases made after June 30, 1995, and on
3 or before June 30, 1996.

4 (3) 40% for purchases made after June 30, 1996, and on
5 or before June 30, 1997.

6 (4) 50% for purchases made on or after July 1, 1997.

7 (a) Manufacturer's Purchase Credit earned prior to July 1,
8 2003. This subsection (a) applies to Manufacturer's Purchase
9 Credit earned prior to July 1, 2003. A purchaser of production
10 related tangible personal property desiring to use the
11 Manufacturer's Purchase Credit shall certify to the seller
12 prior to October 1, 2003 that the purchaser is satisfying all
13 or part of the liability under the Use Tax Act or the Service
14 Use Tax Act that is due on the purchase of the production
15 related tangible personal property by use of a Manufacturer's
16 Purchase Credit. The Manufacturer's Purchase Credit
17 certification must be dated and shall include the name and
18 address of the purchaser, the purchaser's registration number,
19 if registered, the credit being applied, and a statement that
20 the State Use Tax or Service Use Tax liability is being
21 satisfied with the manufacturer's or graphic arts producer's
22 accumulated purchase credit. Certification may be incorporated
23 into the manufacturer's or graphic arts producer's purchase
24 order. Manufacturer's Purchase Credit certification provided
25 by the manufacturer or graphic arts producer prior to October
26 1, 2003 may be used to satisfy the retailer's or serviceman's

1 liability under the Retailers' Occupation Tax Act or Service
2 Occupation Tax Act for the credit claimed, not to exceed 6.25%
3 of the receipts subject to tax from a qualifying purchase, but
4 only if the retailer or serviceman reports the Manufacturer's
5 Purchase Credit claimed as required by the Department. A
6 Manufacturer's Purchase Credit reported on any original or
7 amended return filed under this Act after October 20, 2003
8 shall be disallowed. The Manufacturer's Purchase Credit earned
9 by purchase of exempt manufacturing machinery and equipment or
10 graphic arts machinery and equipment is a non-transferable
11 credit. A manufacturer or graphic arts producer that enters
12 into a contract involving the installation of tangible personal
13 property into real estate within a manufacturing or graphic
14 arts production facility, prior to October 1, 2003, may
15 authorize a construction contractor to utilize credit
16 accumulated by the manufacturer or graphic arts producer to
17 purchase the tangible personal property. A manufacturer or
18 graphic arts producer intending to use accumulated credit to
19 purchase such tangible personal property shall execute a
20 written contract authorizing the contractor to utilize a
21 specified dollar amount of credit. The contractor shall
22 furnish, prior to October 1, 2003, the supplier with the
23 manufacturer's or graphic arts producer's name, registration
24 or resale number, and a statement that a specific amount of the
25 Use Tax or Service Use Tax liability, not to exceed 6.25% of
26 the selling price, is being satisfied with the credit. The

1 manufacturer or graphic arts producer shall remain liable to
2 timely report all information required by the annual Report of
3 Manufacturer's Purchase Credit Used for credit utilized by a
4 construction contractor.

5 No Manufacturer's Purchase Credit earned prior to July 1,
6 2003 may be used after October 1, 2003. The Manufacturer's
7 Purchase Credit may be used to satisfy liability under the Use
8 Tax Act or the Service Use Tax Act due on the purchase of
9 production related tangible personal property (including
10 purchases by a manufacturer, by a graphic arts producer, or a
11 lessor who rents or leases the use of the property to a
12 manufacturer or graphic arts producer) that does not otherwise
13 qualify for the manufacturing machinery and equipment
14 exemption or the graphic arts machinery and equipment
15 exemption. "Production related tangible personal property"
16 means (i) all tangible personal property used or consumed by
17 the purchaser in a manufacturing facility in which a
18 manufacturing process described in Section 2-45 of the
19 Retailers' Occupation Tax Act takes place, including tangible
20 personal property purchased for incorporation into real estate
21 within a manufacturing facility and including, but not limited
22 to, tangible personal property used or consumed in activities
23 such as pre-production material handling, receiving, quality
24 control, inventory control, storage, staging, and packaging
25 for shipping and transportation purposes; (ii) all tangible
26 personal property used or consumed by the purchaser in a

1 graphic arts facility in which graphic arts production as
2 described in Section 2-30 of the Retailers' Occupation Tax Act
3 takes place, including tangible personal property purchased
4 for incorporation into real estate within a graphic arts
5 facility and including, but not limited to, all tangible
6 personal property used or consumed in activities such as
7 graphic arts preliminary or pre-press production,
8 pre-production material handling, receiving, quality control,
9 inventory control, storage, staging, sorting, labeling,
10 mailing, tying, wrapping, and packaging; and (iii) all tangible
11 personal property used or consumed by the purchaser for
12 research and development. "Production related tangible
13 personal property" does not include (i) tangible personal
14 property used, within or without a manufacturing or graphic
15 arts facility, in sales, purchasing, accounting, fiscal
16 management, marketing, personnel recruitment or selection, or
17 landscaping or (ii) tangible personal property required to be
18 titled or registered with a department, agency, or unit of
19 federal, state, or local government. The Manufacturer's
20 Purchase Credit may be used, prior to October 1, 2003, to
21 satisfy the tax arising either from the purchase of machinery
22 and equipment on or after January 1, 1995 for which the
23 manufacturing machinery and equipment exemption provided by
24 Section 2 of this Act was erroneously claimed, or the purchase
25 of machinery and equipment on or after July 1, 1996 for which
26 the exemption provided by paragraph (5) of Section 3-5 of this

1 Act was erroneously claimed, but not in satisfaction of
2 penalty, if any, and interest for failure to pay the tax when
3 due. A purchaser of production related tangible personal
4 property who is required to pay Illinois Use Tax or Service Use
5 Tax on the purchase directly to the Department may, prior to
6 October 1, 2003, utilize the Manufacturer's Purchase Credit in
7 satisfaction of the tax arising from that purchase, but not in
8 satisfaction of penalty and interest. A purchaser who uses the
9 Manufacturer's Purchase Credit to purchase property which is
10 later determined not to be production related tangible personal
11 property may be liable for tax, penalty, and interest on the
12 purchase of that property as of the date of purchase but shall
13 be entitled to use the disallowed Manufacturer's Purchase
14 Credit, so long as it has not expired and is used prior to
15 October 1, 2003, on qualifying purchases of production related
16 tangible personal property not previously subject to credit
17 usage. The Manufacturer's Purchase Credit earned by a
18 manufacturer or graphic arts producer expires the last day of
19 the second calendar year following the calendar year in which
20 the credit arose. No Manufacturer's Purchase Credit may be used
21 after September 30, 2003 regardless of when that credit was
22 earned.

23 A purchaser earning Manufacturer's Purchase Credit shall
24 sign and file an annual Report of Manufacturer's Purchase
25 Credit Earned for each calendar year no later than the last day
26 of the sixth month following the calendar year in which a

1 Manufacturer's Purchase Credit is earned. A Report of
2 Manufacturer's Purchase Credit Earned shall be filed on forms
3 as prescribed or approved by the Department and shall state,
4 for each month of the calendar year: (i) the total purchase
5 price of all purchases of exempt manufacturing or graphic arts
6 machinery on which the credit was earned; (ii) the total State
7 Use Tax or Service Use Tax which would have been due on those
8 items; (iii) the percentage used to calculate the amount of
9 credit earned; (iv) the amount of credit earned; and (v) such
10 other information as the Department may reasonably require. A
11 purchaser earning Manufacturer's Purchase Credit shall
12 maintain records which identify, as to each purchase of
13 manufacturing or graphic arts machinery and equipment on which
14 the purchaser earned Manufacturer's Purchase Credit, the
15 vendor (including, if applicable, either the vendor's
16 registration number or Federal Employer Identification
17 Number), the purchase price, and the amount of Manufacturer's
18 Purchase Credit earned on each purchase.

19 A purchaser using Manufacturer's Purchase Credit shall
20 sign and file an annual Report of Manufacturer's Purchase
21 Credit Used for each calendar year no later than the last day
22 of the sixth month following the calendar year in which a
23 Manufacturer's Purchase Credit is used. A Report of
24 Manufacturer's Purchase Credit Used shall be filed on forms as
25 prescribed or approved by the Department and shall state, for
26 each month of the calendar year: (i) the total purchase price

1 of production related tangible personal property purchased
2 from Illinois suppliers; (ii) the total purchase price of
3 production related tangible personal property purchased from
4 out-of-state suppliers; (iii) the total amount of credit used
5 during such month; and (iv) such other information as the
6 Department may reasonably require. A purchaser using
7 Manufacturer's Purchase Credit shall maintain records that
8 identify, as to each purchase of production related tangible
9 personal property on which the purchaser used Manufacturer's
10 Purchase Credit, the vendor (including, if applicable, either
11 the vendor's registration number or Federal Employer
12 Identification Number), the purchase price, and the amount of
13 Manufacturer's Purchase Credit used on each purchase.

14 No annual report shall be filed before May 1, 1996 or after
15 June 30, 2004. A purchaser that fails to file an annual Report
16 of Manufacturer's Purchase Credit Earned or an annual Report of
17 Manufacturer's Purchase Credit Used by the last day of the
18 sixth month following the end of the calendar year shall
19 forfeit all Manufacturer's Purchase Credit for that calendar
20 year unless it establishes that its failure to file was due to
21 reasonable cause. Manufacturer's Purchase Credit reports may
22 be amended to report and claim credit on qualifying purchases
23 not previously reported at any time before the credit would
24 have expired, unless both the Department and the purchaser have
25 agreed to an extension of the statute of limitations for the
26 issuance of a notice of tax liability as provided in Section 4

1 of the Retailers' Occupation Tax Act. If the time for
2 assessment or refund has been extended, then amended reports
3 for a calendar year may be filed at any time prior to the date
4 to which the statute of limitations for the calendar year or
5 portion thereof has been extended. No Manufacturer's Purchase
6 Credit report filed with the Department for periods prior to
7 January 1, 1995 shall be approved. Manufacturer's Purchase
8 Credit claimed on an amended report may be used, prior to
9 October 1, 2003, to satisfy tax liability under the Use Tax Act
10 or the Service Use Tax Act (i) on qualifying purchases of
11 production related tangible personal property made after the
12 date the amended report is filed or (ii) assessed by the
13 Department on qualifying purchases of production related
14 tangible personal property made in the case of manufacturers on
15 or after January 1, 1995, or in the case of graphic arts
16 producers on or after July 1, 1996.

17 If the purchaser is not the manufacturer or a graphic arts
18 producer, but rents or leases the use of the property to a
19 manufacturer or a graphic arts producer, the purchaser may
20 earn, report, and use Manufacturer's Purchase Credit in the
21 same manner as a manufacturer or graphic arts producer.

22 A purchaser shall not be entitled to any Manufacturer's
23 Purchase Credit for a purchase that is required to be reported
24 and is not timely reported as provided in this Section. A
25 purchaser remains liable for (i) any tax that was satisfied by
26 use of a Manufacturer's Purchase Credit, as of the date of

1 purchase, if that use is not timely reported as required in
2 this Section and (ii) for any applicable penalties and interest
3 for failing to pay the tax when due. No Manufacturer's Purchase
4 Credit may be used after September 30, 2003 to satisfy any tax
5 liability imposed under this Act, including any audit
6 liability.

7 (b) Manufacturer's Purchase Credit earned on and after
8 September 1, 2004. This subsection (b) applies to
9 Manufacturer's Purchase Credit earned on or after September 1,
10 2004. Manufacturer's Purchase Credit earned on or after
11 September 1, 2004 may only be used to satisfy the Use Tax or
12 Service Use Tax liability incurred on production related
13 tangible personal property purchased on or after September 1,
14 2004. A purchaser of production related tangible personal
15 property desiring to use the Manufacturer's Purchase Credit
16 shall certify to the seller that the purchaser is satisfying
17 all or part of the liability under the Use Tax Act or the
18 Service Use Tax Act that is due on the purchase of the
19 production related tangible personal property by use of a
20 Manufacturer's Purchase Credit. The Manufacturer's Purchase
21 Credit certification must be dated and shall include the name
22 and address of the purchaser, the purchaser's registration
23 number, if registered, the credit being applied, and a
24 statement that the State Use Tax or Service Use Tax liability
25 is being satisfied with the manufacturer's or graphic arts
26 producer's accumulated purchase credit. Certification may be

1 incorporated into the manufacturer's or graphic arts
2 producer's purchase order. Manufacturer's Purchase Credit
3 certification provided by the manufacturer or graphic arts
4 producer may be used to satisfy the retailer's or serviceman's
5 liability under the Retailers' Occupation Tax Act or Service
6 Occupation Tax Act for the credit claimed, not to exceed 6.25%
7 of the receipts subject to tax from a qualifying purchase, but
8 only if the retailer or serviceman reports the Manufacturer's
9 Purchase Credit claimed as required by the Department. The
10 Manufacturer's Purchase Credit earned by purchase of exempt
11 manufacturing machinery and equipment or graphic arts
12 machinery and equipment is a non-transferable credit. A
13 manufacturer or graphic arts producer that enters into a
14 contract involving the installation of tangible personal
15 property into real estate within a manufacturing or graphic
16 arts production facility may, on or after September 1, 2004,
17 authorize a construction contractor to utilize credit
18 accumulated by the manufacturer or graphic arts producer to
19 purchase the tangible personal property. A manufacturer or
20 graphic arts producer intending to use accumulated credit to
21 purchase such tangible personal property shall execute a
22 written contract authorizing the contractor to utilize a
23 specified dollar amount of credit. The contractor shall furnish
24 the supplier with the manufacturer's or graphic arts producer's
25 name, registration or resale number, and a statement that a
26 specific amount of the Use Tax or Service Use Tax liability,

1 not to exceed 6.25% of the selling price, is being satisfied
2 with the credit. The manufacturer or graphic arts producer
3 shall remain liable to timely report all information required
4 by the annual Report of Manufacturer's Purchase Credit Used for
5 credit utilized by a construction contractor.

6 The Manufacturer's Purchase Credit may be used to satisfy
7 liability under the Use Tax Act or the Service Use Tax Act due
8 on the purchase, made on or after September 1, 2004, of
9 production related tangible personal property (including
10 purchases by a manufacturer, by a graphic arts producer, or a
11 lessor who rents or leases the use of the property to a
12 manufacturer or graphic arts producer) that does not otherwise
13 qualify for the manufacturing machinery and equipment
14 exemption or the graphic arts machinery and equipment
15 exemption. "Production related tangible personal property"
16 means (i) all tangible personal property used or consumed by
17 the purchaser in a manufacturing facility in which a
18 manufacturing process described in Section 2-45 of the
19 Retailers' Occupation Tax Act takes place, including tangible
20 personal property purchased for incorporation into real estate
21 within a manufacturing facility and including, but not limited
22 to, tangible personal property used or consumed in activities
23 such as pre-production material handling, receiving, quality
24 control, inventory control, storage, staging, and packaging
25 for shipping and transportation purposes; (ii) all tangible
26 personal property used or consumed by the purchaser in a

1 graphic arts facility in which graphic arts production as
2 described in Section 2-30 of the Retailers' Occupation Tax Act
3 takes place, including tangible personal property purchased
4 for incorporation into real estate within a graphic arts
5 facility and including, but not limited to, all tangible
6 personal property used or consumed in activities such as
7 graphic arts preliminary or pre-press production,
8 pre-production material handling, receiving, quality control,
9 inventory control, storage, staging, sorting, labeling,
10 mailing, tying, wrapping, and packaging; and (iii) all tangible
11 personal property used or consumed by the purchaser for
12 research and development. "Production related tangible
13 personal property" does not include (i) tangible personal
14 property used, within or without a manufacturing or graphic
15 arts facility, in sales, purchasing, accounting, fiscal
16 management, marketing, personnel recruitment or selection, or
17 landscaping or (ii) tangible personal property required to be
18 titled or registered with a department, agency, or unit of
19 federal, state, or local government. The Manufacturer's
20 Purchase Credit may be used to satisfy the tax arising either
21 from the purchase of machinery and equipment on or after
22 September 1, 2004 for which the manufacturing machinery and
23 equipment exemption provided by Section 2 of this Act was
24 erroneously claimed, or the purchase of machinery and equipment
25 on or after September 1, 2004 for which the exemption provided
26 by paragraph (5) of Section 3-5 of this Act was erroneously

1 claimed, but not in satisfaction of penalty, if any, and
2 interest for failure to pay the tax when due. A purchaser of
3 production related tangible personal property that is
4 purchased on or after September 1, 2004 who is required to pay
5 Illinois Use Tax or Service Use Tax on the purchase directly to
6 the Department may utilize the Manufacturer's Purchase Credit
7 in satisfaction of the tax arising from that purchase, but not
8 in satisfaction of penalty and interest. A purchaser who uses
9 the Manufacturer's Purchase Credit to purchase property on and
10 after September 1, 2004 which is later determined not to be
11 production related tangible personal property may be liable for
12 tax, penalty, and interest on the purchase of that property as
13 of the date of purchase but shall be entitled to use the
14 disallowed Manufacturer's Purchase Credit, so long as it has
15 not expired, on qualifying purchases of production related
16 tangible personal property not previously subject to credit
17 usage. The Manufacturer's Purchase Credit earned by a
18 manufacturer or graphic arts producer expires the last day of
19 the second calendar year following the calendar year in which
20 the credit arose.

21 A purchaser earning Manufacturer's Purchase Credit shall
22 sign and file an annual Report of Manufacturer's Purchase
23 Credit Earned for each calendar year no later than the last day
24 of the sixth month following the calendar year in which a
25 Manufacturer's Purchase Credit is earned. A Report of
26 Manufacturer's Purchase Credit Earned shall be filed on forms

1 as prescribed or approved by the Department and shall state,
2 for each month of the calendar year: (i) the total purchase
3 price of all purchases of exempt manufacturing or graphic arts
4 machinery on which the credit was earned; (ii) the total State
5 Use Tax or Service Use Tax which would have been due on those
6 items; (iii) the percentage used to calculate the amount of
7 credit earned; (iv) the amount of credit earned; and (v) such
8 other information as the Department may reasonably require. A
9 purchaser earning Manufacturer's Purchase Credit shall
10 maintain records which identify, as to each purchase of
11 manufacturing or graphic arts machinery and equipment on which
12 the purchaser earned Manufacturer's Purchase Credit, the
13 vendor (including, if applicable, either the vendor's
14 registration number or Federal Employer Identification
15 Number), the purchase price, and the amount of Manufacturer's
16 Purchase Credit earned on each purchase.

17 A purchaser using Manufacturer's Purchase Credit shall
18 sign and file an annual Report of Manufacturer's Purchase
19 Credit Used for each calendar year no later than the last day
20 of the sixth month following the calendar year in which a
21 Manufacturer's Purchase Credit is used. A Report of
22 Manufacturer's Purchase Credit Used shall be filed on forms as
23 prescribed or approved by the Department and shall state, for
24 each month of the calendar year: (i) the total purchase price
25 of production related tangible personal property purchased
26 from Illinois suppliers; (ii) the total purchase price of

1 production related tangible personal property purchased from
2 out-of-state suppliers; (iii) the total amount of credit used
3 during such month; and (iv) such other information as the
4 Department may reasonably require. A purchaser using
5 Manufacturer's Purchase Credit shall maintain records that
6 identify, as to each purchase of production related tangible
7 personal property on which the purchaser used Manufacturer's
8 Purchase Credit, the vendor (including, if applicable, either
9 the vendor's registration number or Federal Employer
10 Identification Number), the purchase price, and the amount of
11 Manufacturer's Purchase Credit used on each purchase.

12 A purchaser that fails to file an annual Report of
13 Manufacturer's Purchase Credit Earned or an annual Report of
14 Manufacturer's Purchase Credit Used by the last day of the
15 sixth month following the end of the calendar year shall
16 forfeit all Manufacturer's Purchase Credit for that calendar
17 year unless it establishes that its failure to file was due to
18 reasonable cause. Manufacturer's Purchase Credit reports may
19 be amended to report and claim credit on qualifying purchases
20 not previously reported at any time before the credit would
21 have expired, unless both the Department and the purchaser have
22 agreed to an extension of the statute of limitations for the
23 issuance of a notice of tax liability as provided in Section 4
24 of the Retailers' Occupation Tax Act. If the time for
25 assessment or refund has been extended, then amended reports
26 for a calendar year may be filed at any time prior to the date

1 to which the statute of limitations for the calendar year or
2 portion thereof has been extended. Manufacturer's Purchase
3 Credit claimed on an amended report may be used to satisfy tax
4 liability under the Use Tax Act or the Service Use Tax Act (i)
5 on qualifying purchases of production related tangible
6 personal property made after the date the amended report is
7 filed or (ii) assessed by the Department on qualifying
8 production related tangible personal property purchased on or
9 after September 1, 2004.

10 If the purchaser is not the manufacturer or a graphic arts
11 producer, but rents or leases the use of the property to a
12 manufacturer or a graphic arts producer, the purchaser may
13 earn, report, and use Manufacturer's Purchase Credit in the
14 same manner as a manufacturer or graphic arts producer. A
15 purchaser shall not be entitled to any Manufacturer's Purchase
16 Credit for a purchase that is required to be reported and is
17 not timely reported as provided in this Section. A purchaser
18 remains liable for (i) any tax that was satisfied by use of a
19 Manufacturer's Purchase Credit, as of the date of purchase, if
20 that use is not timely reported as required in this Section and
21 (ii) for any applicable penalties and interest for failing to
22 pay the tax when due.

23 (Source: P.A. 93-24, eff. 6-20-03; 93-840, eff. 7-30-04.)

24 Section 15. The Service Occupation Tax Act is amended by
25 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 benefit
8 of persons 65 years of age or older if the personal property
9 was not purchased by the enterprise for the purpose of resale
10 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 arts
15 or cultural organization that establishes, by proof required by
16 the Department by rule, that it has received an exemption under
17 Section 501(c)(3) of the Internal Revenue Code and that is
18 organized and operated primarily for the presentation or
19 support of arts or cultural programming, activities, or
20 services. These organizations include, but are not limited to,
21 music and dramatic arts organizations such as symphony
22 orchestras and theatrical groups, arts and cultural service
23 organizations, local arts councils, visual arts organizations,
24 and media arts organizations. On and after the effective date
25 of this amendatory Act of the 92nd General Assembly, however,

1 an entity otherwise eligible for this exemption shall not make
2 tax-free purchases unless it has an active identification
3 number issued by the Department.

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

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

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

20 (7) Farm machinery and equipment, both new and used,
21 including that manufactured on special order, certified by the
22 purchaser to be used primarily for production agriculture or
23 State or federal agricultural programs, including individual
24 replacement parts for the machinery and equipment, including
25 machinery and equipment purchased for lease, and including
26 implements of husbandry defined in Section 1-130 of the

1 Illinois Vehicle Code, farm machinery and agricultural
2 chemical and fertilizer spreaders, and nurse wagons required to
3 be registered under Section 3-809 of the Illinois Vehicle Code,
4 but excluding other motor vehicles required to be registered
5 under the Illinois Vehicle Code. Horticultural polyhouses or
6 hoop houses used for propagating, growing, or overwintering
7 plants shall be considered farm machinery and equipment under
8 this item (7). Agricultural chemical tender tanks and dry boxes
9 shall include units sold separately from a motor vehicle
10 required to be licensed and units sold mounted on a motor
11 vehicle required to be licensed if the selling price of the
12 tender is separately stated.

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

21 Farm machinery and equipment also includes computers,
22 sensors, software, and related equipment used primarily in the
23 computer-assisted operation of production agriculture
24 facilities, equipment, and activities such as, but not limited
25 to, the collection, monitoring, and correlation of animal and
26 crop data for the purpose of formulating animal diets and

1 agricultural chemicals. This item (7) is exempt from the
2 provisions of Section 3-55.

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

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

18 (10) Until July 1, 2003, oil field exploration, drilling,
19 and production equipment, including (i) rigs and parts of rigs,
20 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
21 tubular goods, including casing and drill strings, (iii) pumps
22 and pump-jack units, (iv) storage tanks and flow lines, (v) any
23 individual replacement part for oil field exploration,
24 drilling, and production equipment, and (vi) machinery and
25 equipment purchased for lease; but excluding motor vehicles
26 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 that
3 manufactured on special order, certified by the purchaser to be
4 used primarily for photoprocessing, and including
5 photoprocessing machinery and equipment purchased for lease.

6 (12) Until July 1, 2003, coal exploration, mining,
7 offhighway hauling, processing, maintenance, and reclamation
8 equipment, including replacement parts and equipment, and
9 including equipment purchased for lease, but excluding motor
10 vehicles required to be registered under the Illinois Vehicle
11 Code.

12 (13) Beginning January 1, 1992 and through June 30, 2011,
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 non-prescription 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 5 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.

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

25 (15) Horses, or interests in horses, registered with and
26 meeting the requirements of any of the Arabian Horse Club

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

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

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

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

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

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

21 (20) Beginning July 1, 1999, game or game birds sold at a
22 "game breeding and hunting preserve area" or an "exotic game
23 hunting area" as those terms are used in the Wildlife Code or
24 at a hunting enclosure approved through rules adopted by the
25 Department of Natural Resources. This paragraph is exempt from
26 the provisions of Section 3-55.

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

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

1 private home instruction or (ii) for which the fundraising
2 entity purchases the personal property sold at the events from
3 another individual or entity that sold the property for the
4 purpose of resale by the fundraising entity and that profits
5 from the sale to the fundraising entity. This paragraph is
6 exempt from the provisions of Section 3-55.

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

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

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

9 (26) Beginning on January 1, 2002 and through June 30,
10 2011, tangible personal property purchased from an Illinois
11 retailer by a taxpayer engaged in centralized purchasing
12 activities in Illinois who will, upon receipt of the property
13 in Illinois, temporarily store the property in Illinois (i) for
14 the purpose of subsequently transporting it outside this State
15 for use or consumption thereafter solely outside this State or
16 (ii) for the purpose of being processed, fabricated, or
17 manufactured into, attached to, or incorporated into other
18 tangible personal property to be transported outside this State
19 and thereafter used or consumed solely outside this State. The
20 Director of Revenue shall, pursuant to rules adopted in
21 accordance with the Illinois Administrative Procedure Act,
22 issue a permit to any taxpayer in good standing with the
23 Department who is eligible for the exemption under this
24 paragraph (26). The permit issued under this paragraph (26)
25 shall authorize the holder, to the extent and in the manner
26 specified in the rules adopted under this Act, to purchase

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

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

13 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-538,
14 eff. 1-1-08; 95-876, eff. 8-21-08.)

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

17 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

21 (1) Farm chemicals.

22 (2) Farm machinery and equipment, both new and used,
23 including that manufactured on special order, certified by the
24 purchaser to be used primarily for production agriculture or

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

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

25 Farm machinery and equipment also includes computers,
26 sensors, software, and related equipment used primarily in the

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

7 (3) 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 (4) Until July 1, 2003 and beginning again September 1,
14 2004 through August 30, 2014, graphic arts machinery and
15 equipment, including repair and replacement parts, both new and
16 used, and including that manufactured on special order or
17 purchased for lease, certified by the purchaser to be used
18 primarily for graphic arts production. Equipment includes
19 chemicals or chemicals acting as catalysts but only if the
20 chemicals or chemicals acting as catalysts effect a direct and
21 immediate change upon a graphic arts product.

22 (5) A motor vehicle of the first division, a motor vehicle
23 of the second division that is a self contained motor vehicle
24 designed or permanently converted to provide living quarters
25 for recreational, camping, or travel use, with direct walk
26 through access to the living quarters from the driver's seat,

1 or a motor vehicle of the second division that is of the van
2 configuration designed for the transportation of not less than
3 7 nor more than 16 passengers, as defined in Section 1-146 of
4 the Illinois Vehicle Code, that is used for automobile renting,
5 as defined in the Automobile Renting Occupation and Use Tax
6 Act. This paragraph is exempt from the provisions of Section
7 2-70.

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

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

14 (8) Personal property sold to an Illinois county fair
15 association for use in conducting, operating, or promoting the
16 county fair.

17 (9) Personal property sold to a not-for-profit arts or
18 cultural organization that establishes, by proof required by
19 the Department by rule, that it has received an exemption under
20 Section 501(c)(3) of the Internal Revenue Code and that is
21 organized and operated primarily for the presentation or
22 support of arts or cultural programming, activities, or
23 services. These organizations include, but are not limited to,
24 music and dramatic arts organizations such as symphony
25 orchestras and theatrical groups, arts and cultural service
26 organizations, local arts councils, visual arts organizations,

1 and media arts organizations. On and after the effective date
2 of this amendatory Act of the 92nd General Assembly, however,
3 an entity otherwise eligible for this exemption shall not make
4 tax-free purchases unless it has an active identification
5 number issued by the Department.

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

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

1 (12) Tangible personal property sold to interstate
2 carriers for hire for use as rolling stock moving in interstate
3 commerce or to lessors under leases of one year or longer
4 executed or in effect at the time of purchase by interstate
5 carriers for hire for use as rolling stock moving in interstate
6 commerce and equipment operated by a telecommunications
7 provider, licensed as a common carrier by the Federal
8 Communications Commission, which is permanently installed in
9 or affixed to aircraft moving in interstate commerce.

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

1 commercial or industrial enterprise whether for-hire or not.

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

9 (14) Machinery and equipment that will be used by the
10 purchaser, or a lessee of the purchaser, primarily in the
11 process of manufacturing or assembling tangible personal
12 property for wholesale or retail sale or lease, whether the
13 sale or lease is made directly by the manufacturer or by some
14 other person, whether the materials used in the process are
15 owned by the manufacturer or some other person, or whether the
16 sale or lease is made apart from or as an incident to the
17 seller's engaging in the service occupation of producing
18 machines, tools, dies, jigs, patterns, gauges, or other similar
19 items of no commercial value on special order for a particular
20 purchaser.

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

1 with respect to which the service charge is imposed.

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

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

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

17 (19) 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 (20) Photoprocessing machinery and equipment, including

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

5 (21) Until July 1, 2003, coal exploration, mining,
6 offhighway hauling, processing, maintenance, and reclamation
7 equipment, including replacement parts and equipment, and
8 including equipment purchased for lease, but excluding motor
9 vehicles required to be registered under the Illinois Vehicle
10 Code.

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

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

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

1 (25) Except as provided in item (25-5) of this Section, a
2 motor vehicle sold in this State to a nonresident even though
3 the motor vehicle is delivered to the nonresident in this
4 State, if the motor vehicle is not to be titled in this State,
5 and if a drive-away permit is issued to the motor vehicle as
6 provided in Section 3-603 of the Illinois Vehicle Code or if
7 the nonresident purchaser has vehicle registration plates to
8 transfer to the motor vehicle upon returning to his or her home
9 state. The issuance of the drive-away permit or having the
10 out-of-state registration plates to be transferred is prima
11 facie evidence that the motor vehicle will not be titled in
12 this State.

13 (25-5) The exemption under item (25) does not apply if the
14 state in which the motor vehicle will be titled does not allow
15 a reciprocal exemption for a motor vehicle sold and delivered
16 in that state to an Illinois resident but titled in Illinois.
17 The tax collected under this Act on the sale of a motor vehicle
18 in this State to a resident of another state that does not
19 allow a reciprocal exemption shall be imposed at a rate equal
20 to the state's rate of tax on taxable property in the state in
21 which the purchaser is a resident, except that the tax shall
22 not exceed the tax that would otherwise be imposed under this
23 Act. At the time of the sale, the purchaser shall execute a
24 statement, signed under penalty of perjury, of his or her
25 intent to title the vehicle in the state in which the purchaser
26 is a resident within 30 days after the sale and of the fact of

1 the payment to the State of Illinois of tax in an amount
2 equivalent to the state's rate of tax on taxable property in
3 his or her state of residence and shall submit the statement to
4 the appropriate tax collection agency in his or her state of
5 residence. In addition, the retailer must retain a signed copy
6 of the statement in his or her records. Nothing in this item
7 shall be construed to require the removal of the vehicle from
8 this state following the filing of an intent to title the
9 vehicle in the purchaser's state of residence if the purchaser
10 titles the vehicle in his or her state of residence within 30
11 days after the date of sale. The tax collected under this Act
12 in accordance with this item (25-5) shall be proportionately
13 distributed as if the tax were collected at the 6.25% general
14 rate imposed under this Act.

15 (25-7) Beginning on July 1, 2007, no tax is imposed under
16 this Act on the sale of an aircraft, as defined in Section 3 of
17 the Illinois Aeronautics Act, if all of the following
18 conditions are met:

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

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

1 (3) the seller retains in his or her books and records
2 and provides to the Department a signed and dated
3 certification from the purchaser, on a form prescribed by
4 the Department, certifying that the requirements of this
5 item (25-7) are met. The certificate must also include the
6 name and address of the purchaser, the address of the
7 location where the aircraft is to be titled or registered,
8 the address of the primary physical location of the
9 aircraft, and other information that the Department may
10 reasonably require.

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

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

16 "Registered in this State" means an aircraft registered
17 with the Department of Transportation, Aeronautics Division,
18 or titled or registered with the Federal Aviation
19 Administration to an address located in this State.

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

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

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

1 Horse Association, United States Trotting Association, or
2 Jockey Club, as appropriate, used for purposes of breeding or
3 racing for prizes. This item (27) is exempt from the provisions
4 of Section 2-70, and the exemption provided for under this item
5 (27) applies for all periods beginning May 30, 1995, but no
6 claim for credit or refund is allowed on or after January 1,
7 2008 (the effective date of Public Act 95-88) for such taxes
8 paid during the period beginning May 30, 2000 and ending on
9 January 1, 2008 (the effective date of Public Act 95-88) .

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

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

23 (30) 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 for
26 disaster relief to be used in a State or federally declared

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

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

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

25 (33) A motor vehicle, as that term is defined in Section
26 1-146 of the Illinois Vehicle Code, that is donated to a

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

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

1 another individual or entity that sold the property for the
2 purpose of resale by the fundraising entity and that profits
3 from the sale to the fundraising entity. This paragraph is
4 exempt from the provisions of Section 2-70.

5 (35) Beginning January 1, 2000 and through December 31,
6 2001, new or used automatic vending machines that prepare and
7 serve hot food and beverages, including coffee, soup, and other
8 items, and replacement parts for these machines. Beginning
9 January 1, 2002 and through June 30, 2003, machines and parts
10 for machines used in commercial, coin-operated amusement and
11 vending business if a use or occupation tax is paid on the
12 gross receipts derived from the use of the commercial,
13 coin-operated amusement and vending machines. This paragraph
14 is exempt from the provisions of Section 2-70.

15 (35-5) Beginning August 23, 2001 and through June 30, 2011,
16 food for human consumption that is to be consumed off the
17 premises where it is sold (other than alcoholic beverages, soft
18 drinks, and food that has been prepared for immediate
19 consumption) and prescription and nonprescription medicines,
20 drugs, medical appliances, and insulin, urine testing
21 materials, syringes, and needles used by diabetics, for human
22 use, when purchased for use by a person receiving medical
23 assistance under Article 5 of the Illinois Public Aid Code who
24 resides in a licensed long-term care facility, as defined in
25 the Nursing Home Care Act.

26 (36) Beginning August 2, 2001, computers and

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

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

16 (38) Beginning on January 1, 2002 and through June 30,
17 2011, tangible personal property purchased from an Illinois
18 retailer by a taxpayer engaged in centralized purchasing
19 activities in Illinois who will, upon receipt of the property
20 in Illinois, temporarily store the property in Illinois (i) for
21 the purpose of subsequently transporting it outside this State
22 for use or consumption thereafter solely outside this State or
23 (ii) for the purpose of being processed, fabricated, or
24 manufactured into, attached to, or incorporated into other
25 tangible personal property to be transported outside this State
26 and thereafter used or consumed solely outside this State. The

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

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

20 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-233,
21 eff. 8-16-07; 95-304, eff. 8-20-07; 95-538, eff. 1-1-08;
22 95-707, eff. 1-11-08; 95-876, eff. 8-21-08.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.