



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

HB4354

by Rep. Kathleen Willis

#### SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-5	
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-5	
35 ILCS 120/2-5	
35 ILCS 120/2-45	from Ch. 120, par. 441-45

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that, beginning on August 31, 2014, the manufacturing and assembling machinery and equipment exemption includes graphic arts machinery and equipment. Provides that, beginning on August 31, 2014 and through December 31, 2019, the manufacturing and assembling machinery and equipment exemption includes production related tangible personal property. Provides that, except with respect to production related tangible personal property, the manufacturing and assembling machinery and equipment exemption is exempt from the Acts' automatic sunset provisions. Effective immediately.

LRB099 15567 HLH 39858 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 3-50 as follows:

6 (35 ILCS 105/3-5)

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

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

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

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

1 support of arts or cultural programming, activities, or  
2 services. These organizations include, but are not limited to,  
3 music and dramatic arts organizations such as symphony  
4 orchestras and theatrical groups, arts and cultural service  
5 organizations, local arts councils, visual arts organizations,  
6 and media arts organizations. On and after 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. Beginning on August 31, 2014, graphic  
12 arts machinery and equipment is included in the manufacturing  
13 and assembling machinery and equipment exemption under  
14 paragraph (18).

15 (7) Farm chemicals.

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

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

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

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

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

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

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

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

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

26 (13) Proceeds of mandatory service charges separately

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

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

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

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

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

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

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



1 for wholesale or retail sale that is delivered to customers  
2 through pipes, pipelines, or mains; or (iii) the treatment of  
3 water for wholesale or retail sale that is delivered to  
4 customers through pipes, pipelines, or mains. The provisions of  
5 Public Act 98-583 are declaratory of existing law as to the  
6 meaning and scope of this exemption. Beginning on August 31,  
7 2014, the exemption provided by this paragraph (18) includes,  
8 but is not limited to, graphic arts machinery and equipment, as  
9 defined in paragraph (6) of this Section. Beginning on August  
10 31, 2014 and until December 31, 2019, the exemption provided by  
11 this paragraph (18) includes, but is not limited to, production  
12 related tangible personal property, as defined in Section 3-50  
13 of this Act. The exemption provided by this paragraph (18),  
14 except with respect to production related tangible personal  
15 property, is exempt from the provisions of Section 3-90.

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

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

23 (21) Horses, or interests in horses, registered with and  
24 meeting the requirements of any of the Arabian Horse Club  
25 Registry of America, Appaloosa Horse Club, American Quarter  
26 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or  
2 racing for prizes. This item (21) is exempt from the provisions  
3 of Section 3-90, and the exemption provided for under this item  
4 (21) applies for all periods beginning May 30, 1995, but no  
5 claim for credit or refund is allowed on or after January 1,  
6 2008 for such taxes paid during the period beginning May 30,  
7 2000 and ending on January 1, 2008.

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

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

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

25 (24) 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 (25) 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 (26) Beginning July 1, 1999, game or game birds purchased  
22 at a "game breeding and hunting preserve area" as that term is  
23 used in the Wildlife Code. This paragraph is exempt from the  
24 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, 2016,  
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 V 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, or in a licensed facility as defined  
26 in the ID/DD Community Care Act, the MC/DD Act, or the

1 Specialized Mental Health Rehabilitation Act of 2013.

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

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

24           (33) On and after July 1, 2003 and through June 30, 2004,  
25 the use in this State of motor vehicles of the second division  
26 with a gross vehicle weight in excess of 8,000 pounds and that



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

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

24 (35) Beginning January 1, 2010, materials, parts,  
25 equipment, components, and furnishings incorporated into or  
26 upon an aircraft as part of the modification, refurbishment,

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

25 (36) Tangible personal property purchased by a  
26 public-facilities corporation, as described in Section

1 11-65-10 of the Illinois Municipal Code, for purposes of  
2 constructing or furnishing a municipal convention hall, but  
3 only if the legal title to the municipal convention hall is  
4 transferred to the municipality without any further  
5 consideration by or on behalf of the municipality at the time  
6 of the completion of the municipal convention hall or upon the  
7 retirement or redemption of any bonds or other debt instruments  
8 issued by the public-facilities corporation in connection with  
9 the development of the municipal convention hall. This  
10 exemption includes existing public-facilities corporations as  
11 provided in Section 11-65-25 of the Illinois Municipal Code.  
12 This paragraph is exempt from the provisions of Section 3-90.

13 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
14 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
15 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
16 7-29-15.)

17 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

18 Sec. 3-50. Manufacturing and assembly exemption. The  
19 manufacturing and assembling machinery and equipment exemption  
20 includes machinery and equipment that replaces machinery and  
21 equipment in an existing manufacturing facility as well as  
22 machinery and equipment that are for use in an expanded or new  
23 manufacturing facility. The machinery and equipment exemption  
24 also includes machinery and equipment used in the general  
25 maintenance or repair of exempt machinery and equipment or for

1 in-house manufacture of exempt machinery and equipment.  
2 Beginning on August 31, 2014, the manufacturing and assembling  
3 machinery and equipment exemption also includes graphic arts  
4 machinery and equipment, as defined in paragraph (6) of Section  
5 3-5. Beginning on August 31, 2014 and until December 31, 2019,  
6 the manufacturing and assembling machinery and equipment  
7 exemption also includes production related tangible personal  
8 property, as defined in this Section. The machinery and  
9 equipment exemption does not include machinery and equipment  
10 used in (i) the generation of electricity for wholesale or  
11 retail sale; (ii) the generation or treatment of natural or  
12 artificial gas for wholesale or retail sale that is delivered  
13 to customers through pipes, pipelines, or mains; or (iii) the  
14 treatment of water for wholesale or retail sale that is  
15 delivered to customers through pipes, pipelines, or mains. The  
16 provisions of this amendatory Act of the 98th General Assembly  
17 are declaratory of existing law as to the meaning and scope of  
18 this exemption. For the purposes of this exemption, terms have  
19 the following meanings:

20 (1) "Manufacturing process" means the production of an  
21 article of tangible personal property, whether the article  
22 is a finished product or an article for use in the process  
23 of manufacturing or assembling a different article of  
24 tangible personal property, by a procedure commonly  
25 regarded as manufacturing, processing, fabricating, or  
26 refining that changes some existing material into a

1 material with a different form, use, or name. In relation  
2 to a recognized integrated business composed of a series of  
3 operations that collectively constitute manufacturing, or  
4 individually constitute manufacturing operations, the  
5 manufacturing process commences with the first operation  
6 or stage of production in the series and does not end until  
7 the completion of the final product in the last operation  
8 or stage of production in the series. For purposes of this  
9 exemption, photoprocessing is a manufacturing process of  
10 tangible personal property for wholesale or retail sale.

11 (2) "Assembling process" means the production of an  
12 article of tangible personal property, whether the article  
13 is a finished product or an article for use in the process  
14 of manufacturing or assembling a different article of  
15 tangible personal property, by the combination of existing  
16 materials in a manner commonly regarded as assembling that  
17 results in an article or material of a different form, use,  
18 or name.

19 (3) "Machinery" means major mechanical machines or  
20 major components of those machines contributing to a  
21 manufacturing or assembling process.

22 (4) "Equipment" includes an independent device or tool  
23 separate from machinery but essential to an integrated  
24 manufacturing or assembly process; including computers  
25 used primarily in a manufacturer's computer assisted  
26 design, computer assisted manufacturing (CAD/CAM) system;

1 any subunit or assembly comprising a component of any  
2 machinery or auxiliary, adjunct, or attachment parts of  
3 machinery, such as tools, dies, jigs, fixtures, patterns,  
4 and molds; and any parts that require periodic replacement  
5 in the course of normal operation; but does not include  
6 hand tools. Equipment includes chemicals or chemicals  
7 acting as catalysts but only if the chemicals or chemicals  
8 acting as catalysts effect a direct and immediate change  
9 upon a product being manufactured or assembled for  
10 wholesale or retail sale or lease.

11 (5) "Production related tangible personal property"  
12 means all tangible personal property that is used or  
13 consumed by the purchaser in a manufacturing facility in  
14 which a manufacturing process takes place and includes,  
15 without limitation, tangible personal property that is  
16 purchased for incorporation into real estate within a  
17 manufacturing facility and tangible personal property that  
18 is used or consumed in activities such as research and  
19 development, preproduction material handling, receiving,  
20 quality control, inventory control, storage, staging, and  
21 packaging for shipping and transportation purposes.  
22 "Production related tangible personal property" does not  
23 include (i) tangible personal property that is used, within  
24 or without a manufacturing facility, in sales, purchasing,  
25 accounting, fiscal management, marketing, personnel  
26 recruitment or selection, or landscaping or (ii) tangible

1 personal property that is required to be titled or  
2 registered with a department, agency, or unit of federal,  
3 State, or local government.

4 The manufacturing and assembling machinery and equipment  
5 exemption includes production related tangible personal  
6 property that is purchased (i) on or after July 1, 2007 and on  
7 or before June 30, 2008 or (ii) on and after August 31, 2014  
8 and on or before December 31, 2019. The exemption for  
9 production related tangible personal property purchased on or  
10 after July 1, 2007 and on or before June 30, 2008 is subject to  
11 both of the following limitations:

12 (1) The maximum amount of the exemption for any one  
13 taxpayer may not exceed 5% of the purchase price of  
14 production related tangible personal property that is  
15 purchased on or after July 1, 2007 and on or before June  
16 30, 2008. A credit under Section 3-85 of this Act may not  
17 be earned by the purchase of production related tangible  
18 personal property for which an exemption is received under  
19 this Section.

20 (2) The maximum aggregate amount of the exemptions for  
21 production related tangible personal property awarded  
22 under this Act and the Retailers' Occupation Tax Act to all  
23 taxpayers may not exceed \$10,000,000. If the claims for the  
24 exemption exceed \$10,000,000, then the Department shall  
25 reduce the amount of the exemption to each taxpayer on a  
26 pro rata basis.

1 The Department may adopt rules to implement and administer the  
2 exemption for production related tangible personal property.

3 The manufacturing and assembling machinery and equipment  
4 exemption includes the sale of materials to a purchaser who  
5 produces exempted types of machinery, equipment, or tools and  
6 who rents or leases that machinery, equipment, or tools to a  
7 manufacturer of tangible personal property. This exemption  
8 also includes the sale of materials to a purchaser who  
9 manufactures those materials into an exempted type of  
10 machinery, equipment, or tools that the purchaser uses himself  
11 or herself in the manufacturing of tangible personal property.  
12 This exemption includes the sale of exempted types of machinery  
13 or equipment to a purchaser who is not the manufacturer, but  
14 who rents or leases the use of the property to a manufacturer.  
15 The purchaser of the machinery and equipment who has an active  
16 resale registration number shall furnish that number to the  
17 seller at the time of purchase. A user of the machinery,  
18 equipment, or tools without an active resale registration  
19 number shall prepare a certificate of exemption for each  
20 transaction stating facts establishing the exemption for that  
21 transaction, and that certificate shall be available to the  
22 Department for inspection or audit. The Department shall  
23 prescribe the form of the certificate. Informal rulings,  
24 opinions, or letters issued by the Department in response to an  
25 inquiry or request for an opinion from any person regarding the  
26 coverage and applicability of this exemption to specific



1 devices shall be published, maintained as a public record, and  
2 made available for public inspection and copying. If the  
3 informal ruling, opinion, or letter contains trade secrets or  
4 other confidential information, where possible, the Department  
5 shall delete that information before publication. Whenever  
6 informal rulings, opinions, or letters contain a policy of  
7 general applicability, the Department shall formulate and  
8 adopt that policy as a rule in accordance with the Illinois  
9 Administrative Procedure Act.

10 The manufacturing and assembling machinery and equipment  
11 exemption, except with respect to production related tangible  
12 personal property, is exempt from the provisions of Section  
13 3-90.

14 (Source: P.A. 98-583, eff. 1-1-14.)

15 Section 10. The Service Use Tax Act is amended by changing  
16 Sections 2 and 3-5 as follows:

17 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

18 Sec. 2. Definitions.

19 "Use" means the exercise by any person of any right or  
20 power over tangible personal property incident to the ownership  
21 of that property, but does not include the sale or use for  
22 demonstration by him of that property in any form as tangible  
23 personal property in the regular course of business. "Use" does  
24 not mean the interim use of tangible personal property nor the

1 physical incorporation of tangible personal property, as an  
2 ingredient or constituent, into other tangible personal  
3 property, (a) which is sold in the regular course of business  
4 or (b) which the person incorporating such ingredient or  
5 constituent therein has undertaken at the time of such purchase  
6 to cause to be transported in interstate commerce to  
7 destinations outside the State of Illinois.

8 "Purchased from a serviceman" means the acquisition of the  
9 ownership of, or title to, tangible personal property through a  
10 sale of service.

11 "Purchaser" means any person who, through a sale of  
12 service, acquires the ownership of, or title to, any tangible  
13 personal property.

14 "Cost price" means the consideration paid by the serviceman  
15 for a purchase valued in money, whether paid in money or  
16 otherwise, including cash, credits and services, and shall be  
17 determined without any deduction on account of the supplier's  
18 cost of the property sold or on account of any other expense  
19 incurred by the supplier. When a serviceman contracts out part  
20 or all of the services required in his sale of service, it  
21 shall be presumed that the cost price to the serviceman of the  
22 property transferred to him or her by his or her subcontractor  
23 is equal to 50% of the subcontractor's charges to the  
24 serviceman in the absence of proof of the consideration paid by  
25 the subcontractor for the purchase of such property.

26 "Selling price" means the consideration for a sale valued

1 in money whether received in money or otherwise, including  
2 cash, credits and service, and shall be determined without any  
3 deduction on account of the serviceman's cost of the property  
4 sold, the cost of materials used, labor or service cost or any  
5 other expense whatsoever, but does not include interest or  
6 finance charges which appear as separate items on the bill of  
7 sale or sales contract nor charges that are added to prices by  
8 sellers on account of the seller's duty to collect, from the  
9 purchaser, the tax that is imposed by this Act.

10 "Department" means the Department of Revenue.

11 "Person" means any natural individual, firm, partnership,  
12 association, joint stock company, joint venture, public or  
13 private corporation, limited liability company, and any  
14 receiver, executor, trustee, guardian or other representative  
15 appointed by order of any court.

16 "Sale of service" means any transaction except:

17 (1) a retail sale of tangible personal property taxable  
18 under the Retailers' Occupation Tax Act or under the Use  
19 Tax Act.

20 (2) a sale of tangible personal property for the  
21 purpose of resale made in compliance with Section 2c of the  
22 Retailers' Occupation Tax Act.

23 (3) except as hereinafter provided, a sale or transfer  
24 of tangible personal property as an incident to the  
25 rendering of service for or by any governmental body, or  
26 for or by any corporation, society, association,

1 foundation or institution organized and operated  
2 exclusively for charitable, religious or educational  
3 purposes or any not-for-profit corporation, society,  
4 association, foundation, institution or organization which  
5 has no compensated officers or employees and which is  
6 organized and operated primarily for the recreation of  
7 persons 55 years of age or older. A limited liability  
8 company may qualify for the exemption under this paragraph  
9 only if the limited liability company is organized and  
10 operated exclusively for educational purposes.

11 (4) a sale or transfer of tangible personal property as  
12 an incident to the rendering of service for interstate  
13 carriers for hire for use as rolling stock moving in  
14 interstate commerce or by lessors under a lease of one year  
15 or longer, executed or in effect at the time of purchase of  
16 personal property, to interstate carriers for hire for use  
17 as rolling stock moving in interstate commerce so long as  
18 so used by such interstate carriers for hire, and equipment  
19 operated by a telecommunications provider, licensed as a  
20 common carrier by the Federal Communications Commission,  
21 which is permanently installed in or affixed to aircraft  
22 moving in interstate commerce.

23 (4a) a sale or transfer of tangible personal property  
24 as an incident to the rendering of service for owners,  
25 lessors, or shippers of tangible personal property which is  
26 utilized by interstate carriers for hire for use as rolling

1 stock moving in interstate commerce so long as so used by  
2 interstate carriers for hire, and equipment operated by a  
3 telecommunications provider, licensed as a common carrier  
4 by the Federal Communications Commission, which is  
5 permanently installed in or affixed to aircraft moving in  
6 interstate commerce.

7 (4a-5) on and after July 1, 2003 and through June 30,  
8 2004, a sale or transfer of a motor vehicle of the second  
9 division with a gross vehicle weight in excess of 8,000  
10 pounds as an incident to the rendering of service if that  
11 motor vehicle is subject to the commercial distribution fee  
12 imposed under Section 3-815.1 of the Illinois Vehicle Code.  
13 Beginning on July 1, 2004 and through June 30, 2005, the  
14 use in this State of motor vehicles of the second division:  
15 (i) with a gross vehicle weight rating in excess of 8,000  
16 pounds; (ii) that are subject to the commercial  
17 distribution fee imposed under Section 3-815.1 of the  
18 Illinois Vehicle Code; and (iii) that are primarily used  
19 for commercial purposes. Through June 30, 2005, this  
20 exemption applies to repair and replacement parts added  
21 after the initial purchase of such a motor vehicle if that  
22 motor vehicle is used in a manner that would qualify for  
23 the rolling stock exemption otherwise provided for in this  
24 Act. For purposes of this paragraph, "used for commercial  
25 purposes" means the transportation of persons or property  
26 in furtherance of any commercial or industrial enterprise

1           whether for-hire or not.

2           (5) a sale or transfer of machinery and equipment used  
3           primarily in the process of the manufacturing or  
4           assembling, either in an existing, an expanded or a new  
5           manufacturing facility, of tangible personal property for  
6           wholesale or retail sale or lease, whether such sale or  
7           lease is made directly by the manufacturer or by some other  
8           person, whether the materials used in the process are owned  
9           by the manufacturer or some other person, or whether such  
10          sale or lease is made apart from or as an incident to the  
11          seller's engaging in a service occupation and the  
12          applicable tax is a Service Use Tax or Service Occupation  
13          Tax, rather than Use Tax or Retailers' Occupation Tax. The  
14          exemption provided by this paragraph (5) does not include  
15          machinery and equipment used in (i) the generation of  
16          electricity for wholesale or retail sale; (ii) the  
17          generation or treatment of natural or artificial gas for  
18          wholesale or retail sale that is delivered to customers  
19          through pipes, pipelines, or mains; or (iii) the treatment  
20          of water for wholesale or retail sale that is delivered to  
21          customers through pipes, pipelines, or mains. The  
22          provisions of this amendatory Act of the 98th General  
23          Assembly are declaratory of existing law as to the meaning  
24          and scope of this exemption. The exemption under this  
25          paragraph (5), except with respect to production related  
26          tangible personal property, is exempt from the provisions

1       of Section 3-75.

2           (5a) the repairing, reconditioning or remodeling, for  
3       a common carrier by rail, of tangible personal property  
4       which belongs to such carrier for hire, and as to which  
5       such carrier receives the physical possession of the  
6       repaired, reconditioned or remodeled item of tangible  
7       personal property in Illinois, and which such carrier  
8       transports, or shares with another common carrier in the  
9       transportation of such property, out of Illinois on a  
10      standard uniform bill of lading showing the person who  
11      repaired, reconditioned or remodeled the property to a  
12      destination outside Illinois, for use outside Illinois.

13          (5b) a sale or transfer of tangible personal property  
14      which is produced by the seller thereof on special order in  
15      such a way as to have made the applicable tax the Service  
16      Occupation Tax or the Service Use Tax, rather than the  
17      Retailers' Occupation Tax or the Use Tax, for an interstate  
18      carrier by rail which receives the physical possession of  
19      such property in Illinois, and which transports such  
20      property, or shares with another common carrier in the  
21      transportation of such property, out of Illinois on a  
22      standard uniform bill of lading showing the seller of the  
23      property as the shipper or consignor of such property to a  
24      destination outside Illinois, for use outside Illinois.

25          (6) until July 1, 2003, a sale or transfer of  
26      distillation machinery and equipment, sold as a unit or kit

1 and assembled or installed by the retailer, which machinery  
2 and equipment is certified by the user to be used only for  
3 the production of ethyl alcohol that will be used for  
4 consumption as motor fuel or as a component of motor fuel  
5 for the personal use of such user and not subject to sale  
6 or resale.

7 (7) at the election of any serviceman not required to  
8 be otherwise registered as a retailer under Section 2a of  
9 the Retailers' Occupation Tax Act, made for each fiscal  
10 year sales of service in which the aggregate annual cost  
11 price of tangible personal property transferred as an  
12 incident to the sales of service is less than 35%, or 75%  
13 in the case of servicemen transferring prescription drugs  
14 or servicemen engaged in graphic arts production, of the  
15 aggregate annual total gross receipts from all sales of  
16 service. The purchase of such tangible personal property by  
17 the serviceman shall be subject to tax under the Retailers'  
18 Occupation Tax Act and the Use Tax Act. However, if a  
19 primary serviceman who has made the election described in  
20 this paragraph subcontracts service work to a secondary  
21 serviceman who has also made the election described in this  
22 paragraph, the primary serviceman does not incur a Use Tax  
23 liability if the secondary serviceman (i) has paid or will  
24 pay Use Tax on his or her cost price of any tangible  
25 personal property transferred to the primary serviceman  
26 and (ii) certifies that fact in writing to the primary



1 serviceman.

2 Tangible personal property transferred incident to the  
3 completion of a maintenance agreement is exempt from the tax  
4 imposed pursuant to this Act.

5 Exemption (5) also includes machinery and equipment used in  
6 the general maintenance or repair of such exempt machinery and  
7 equipment or for in-house manufacture of exempt machinery and  
8 equipment. On and after August 31, 2014 and through December  
9 31, 2019, exemption (5) also includes production related  
10 tangible personal property, as defined in Section 3-50 of the  
11 Use Tax Act. On and after August 31, 2019, exemption (5) also  
12 includes graphic arts machinery and equipment, as defined in  
13 paragraph (5) of Section 3-5. The machinery and equipment  
14 exemption does not include machinery and equipment used in (i)  
15 the generation of electricity for wholesale or retail sale;  
16 (ii) the generation or treatment of natural or artificial gas  
17 for wholesale or retail sale that is delivered to customers  
18 through pipes, pipelines, or mains; or (iii) the treatment of  
19 water for wholesale or retail sale that is delivered to  
20 customers through pipes, pipelines, or mains. The provisions of  
21 this amendatory Act of the 98th General Assembly are  
22 declaratory of existing law as to the meaning and scope of this  
23 exemption. For the purposes of exemption (5), each of these  
24 terms shall have the following meanings: (1) "manufacturing  
25 process" shall mean the production of any article of tangible  
26 personal property, whether such article is a finished product

1 or an article for use in the process of manufacturing or  
2 assembling a different article of tangible personal property,  
3 by procedures commonly regarded as manufacturing, processing,  
4 fabricating, or refining which changes some existing material  
5 or materials into a material with a different form, use or  
6 name. In relation to a recognized integrated business composed  
7 of a series of operations which collectively constitute  
8 manufacturing, or individually constitute manufacturing  
9 operations, the manufacturing process shall be deemed to  
10 commence with the first operation or stage of production in the  
11 series, and shall not be deemed to end until the completion of  
12 the final product in the last operation or stage of production  
13 in the series; and further, for purposes of exemption (5),  
14 photoprocessing is deemed to be a manufacturing process of  
15 tangible personal property for wholesale or retail sale; (2)  
16 "assembling process" shall mean the production of any article  
17 of tangible personal property, whether such article is a  
18 finished product or an article for use in the process of  
19 manufacturing or assembling a different article of tangible  
20 personal property, by the combination of existing materials in  
21 a manner commonly regarded as assembling which results in a  
22 material of a different form, use or name; (3) "machinery"  
23 shall mean major mechanical machines or major components of  
24 such machines contributing to a manufacturing or assembling  
25 process; and (4) "equipment" shall include any independent  
26 device or tool separate from any machinery but essential to an

1 integrated manufacturing or assembly process; including  
2 computers used primarily in a manufacturer's computer assisted  
3 design, computer assisted manufacturing (CAD/CAM) system; or  
4 any subunit or assembly comprising a component of any machinery  
5 or auxiliary, adjunct or attachment parts of machinery, such as  
6 tools, dies, jigs, fixtures, patterns and molds; or any parts  
7 which require periodic replacement in the course of normal  
8 operation; but shall not include hand tools. Equipment includes  
9 chemicals or chemicals acting as catalysts but only if the  
10 chemicals or chemicals acting as catalysts effect a direct and  
11 immediate change upon a product being manufactured or assembled  
12 for wholesale or retail sale or lease. The purchaser of such  
13 machinery and equipment who has an active resale registration  
14 number shall furnish such number to the seller at the time of  
15 purchase. The user of such machinery and equipment and tools  
16 without an active resale registration number shall prepare a  
17 certificate of exemption for each transaction stating facts  
18 establishing the exemption for that transaction, which  
19 certificate shall be available to the Department for inspection  
20 or audit. The Department shall prescribe the form of the  
21 certificate.

22 Any informal rulings, opinions or letters issued by the  
23 Department in response to an inquiry or request for any opinion  
24 from any person regarding the coverage and applicability of  
25 exemption (5) to specific devices shall be published,  
26 maintained as a public record, and made available for public

1 inspection and copying. If the informal ruling, opinion or  
2 letter contains trade secrets or other confidential  
3 information, where possible the Department shall delete such  
4 information prior to publication. Whenever such informal  
5 rulings, opinions, or letters contain any policy of general  
6 applicability, the Department shall formulate and adopt such  
7 policy as a rule in accordance with the provisions of the  
8 Illinois Administrative Procedure Act.

9 On and after July 1, 1987, no entity otherwise eligible  
10 under exemption (3) of this Section shall make tax free  
11 purchases unless it has an active exemption identification  
12 number issued by the Department.

13 The purchase, employment and transfer of such tangible  
14 personal property as newsprint and ink for the primary purpose  
15 of conveying news (with or without other information) is not a  
16 purchase, use or sale of service or of tangible personal  
17 property within the meaning of this Act.

18 "Serviceman" means any person who is engaged in the  
19 occupation of making sales of service.

20 "Sale at retail" means "sale at retail" as defined in the  
21 Retailers' Occupation Tax Act.

22 "Supplier" means any person who makes sales of tangible  
23 personal property to servicemen for the purpose of resale as an  
24 incident to a sale of service.

25 "Serviceman maintaining a place of business in this State",  
26 or any like term, means and includes any serviceman:

1           1. having or maintaining within this State, directly or  
2           by a subsidiary, an office, distribution house, sales  
3           house, warehouse or other place of business, or any agent  
4           or other representative operating within this State under  
5           the authority of the serviceman or its subsidiary,  
6           irrespective of whether such place of business or agent or  
7           other representative is located here permanently or  
8           temporarily, or whether such serviceman or subsidiary is  
9           licensed to do business in this State;

10          1.1. having a contract with a person located in this  
11          State under which the person, for a commission or other  
12          consideration based on the sale of service by the  
13          serviceman, directly or indirectly refers potential  
14          customers to the serviceman by providing to the potential  
15          customers a promotional code or other mechanism that allows  
16          the serviceman to track purchases referred by such persons.  
17          Examples of mechanisms that allow the serviceman to track  
18          purchases referred by such persons include but are not  
19          limited to the use of a link on the person's Internet  
20          website, promotional codes distributed through the  
21          person's hand-delivered or mailed material, and  
22          promotional codes distributed by the person through radio  
23          or other broadcast media. The provisions of this paragraph  
24          1.1 shall apply only if the cumulative gross receipts from  
25          sales of service by the serviceman to customers who are  
26          referred to the serviceman by all persons in this State

1 under such contracts exceed \$10,000 during the preceding 4  
2 quarterly periods ending on the last day of March, June,  
3 September, and December; a serviceman meeting the  
4 requirements of this paragraph 1.1 shall be presumed to be  
5 maintaining a place of business in this State but may rebut  
6 this presumption by submitting proof that the referrals or  
7 other activities pursued within this State by such persons  
8 were not sufficient to meet the nexus standards of the  
9 United States Constitution during the preceding 4  
10 quarterly periods;

11 1.2. beginning July 1, 2011, having a contract with a  
12 person located in this State under which:

13 A. the serviceman sells the same or substantially  
14 similar line of services as the person located in this  
15 State and does so using an identical or substantially  
16 similar name, trade name, or trademark as the person  
17 located in this State; and

18 B. the serviceman provides a commission or other  
19 consideration to the person located in this State based  
20 upon the sale of services by the serviceman.

21 The provisions of this paragraph 1.2 shall apply only if  
22 the cumulative gross receipts from sales of service by the  
23 serviceman to customers in this State under all such  
24 contracts exceed \$10,000 during the preceding 4 quarterly  
25 periods ending on the last day of March, June, September,  
26 and December;

1           2. soliciting orders for tangible personal property by  
2 means of a telecommunication or television shopping system  
3 (which utilizes toll free numbers) which is intended by the  
4 retailer to be broadcast by cable television or other means  
5 of broadcasting, to consumers located in this State;

6           3. pursuant to a contract with a broadcaster or  
7 publisher located in this State, soliciting orders for  
8 tangible personal property by means of advertising which is  
9 disseminated primarily to consumers located in this State  
10 and only secondarily to bordering jurisdictions;

11           4. soliciting orders for tangible personal property by  
12 mail if the solicitations are substantial and recurring and  
13 if the retailer benefits from any banking, financing, debt  
14 collection, telecommunication, or marketing activities  
15 occurring in this State or benefits from the location in  
16 this State of authorized installation, servicing, or  
17 repair facilities;

18           5. being owned or controlled by the same interests  
19 which own or control any retailer engaging in business in  
20 the same or similar line of business in this State;

21           6. having a franchisee or licensee operating under its  
22 trade name if the franchisee or licensee is required to  
23 collect the tax under this Section;

24           7. pursuant to a contract with a cable television  
25 operator located in this State, soliciting orders for  
26 tangible personal property by means of advertising which is

1 transmitted or distributed over a cable television system  
2 in this State; or

3 8. engaging in activities in Illinois, which  
4 activities in the state in which the supply business  
5 engaging in such activities is located would constitute  
6 maintaining a place of business in that state.

7 (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

8 (35 ILCS 110/3-5)

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

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

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

21 (3) Personal property purchased by a not-for-profit arts or  
22 cultural organization that establishes, by proof required by  
23 the Department by rule, that it has received an exemption under  
24 Section 501(c)(3) of the Internal Revenue Code and that is  
25 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) Legal tender, currency, medallions, or gold or silver  
12 coinage issued by the State of Illinois, the government of the  
13 United States of America, or the government of any foreign  
14 country, and bullion.

15 (5) Until July 1, 2003 and beginning again on September 1,  
16 2004 through August 30, 2014, graphic arts machinery and  
17 equipment, including repair and replacement parts, both new and  
18 used, and including that manufactured on special order or  
19 purchased for lease, certified by the purchaser to be used  
20 primarily for graphic arts production. Equipment includes  
21 chemicals or chemicals acting as catalysts but only if the  
22 chemicals or chemicals acting as catalysts effect a direct and  
23 immediate change upon a graphic arts product. Beginning on  
24 August 31, 2014, graphic arts machinery and equipment is  
25 included in the manufacturing and assembling machinery and  
26 equipment exemption under Section 2 of this Act.

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

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

23           Farm machinery and equipment shall include precision  
24 farming equipment that is installed or purchased to be  
25 installed on farm machinery and equipment including, but not  
26 limited to, tractors, harvesters, sprayers, planters, seeders,

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

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

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

20 Beginning July 1, 2013, fuel and petroleum products sold to  
21 or used by an air carrier, certified by the carrier to be used  
22 for consumption, shipment, or storage in the conduct of its  
23 business as an air common carrier, for a flight that (i) is  
24 engaged in foreign trade or is engaged in trade between the  
25 United States and any of its possessions and (ii) transports at  
26 least one individual or package for hire from the city of

1 origination to the city of final destination on the same  
2 aircraft, without regard to a change in the flight number of  
3 that aircraft.

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

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

22 (11) Proceeds from the sale of photoprocessing machinery  
23 and equipment, including repair and replacement parts, both new  
24 and used, including that manufactured on special order,  
25 certified by the purchaser to be used primarily for  
26 photoprocessing, and including photoprocessing machinery and

1 equipment purchased for lease.

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

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" as that term is  
16 used in the Wildlife Code. This paragraph is exempt from the  
17 provisions of Section 3-75.

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



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

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

24 (22) Beginning January 1, 2000 and through December 31,  
25 2001, new or used automatic vending machines that prepare and  
26 serve hot food and beverages, including coffee, soup, and other

1 items, and replacement parts for these machines. Beginning  
2 January 1, 2002 and through June 30, 2003, machines and parts  
3 for machines used in commercial, coin-operated amusement and  
4 vending business if a use or occupation tax is paid on the  
5 gross receipts derived from the use of the commercial,  
6 coin-operated amusement and vending machines. This paragraph  
7 is exempt from the provisions of Section 3-75.

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

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

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

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

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

12 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
13 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
14 7-16-14; 99-180, eff. 7-29-15.)

15 Section 15. The Service Occupation Tax Act is amended by  
16 changing Sections 2 and 3-5 as follows:

17 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

18 Sec. 2. "Transfer" means any transfer of the title to  
19 property or of the ownership of property whether or not the  
20 transferor retains title as security for the payment of amounts  
21 due him from the transferee.

22 "Cost Price" means the consideration paid by the serviceman  
23 for a purchase valued in money, whether paid in money or  
24 otherwise, including cash, credits and services, and shall be

1 determined without any deduction on account of the supplier's  
2 cost of the property sold or on account of any other expense  
3 incurred by the supplier. When a serviceman contracts out part  
4 or all of the services required in his sale of service, it  
5 shall be presumed that the cost price to the serviceman of the  
6 property transferred to him by his or her subcontractor is  
7 equal to 50% of the subcontractor's charges to the serviceman  
8 in the absence of proof of the consideration paid by the  
9 subcontractor for the purchase of such property.

10 "Department" means the Department of Revenue.

11 "Person" means any natural individual, firm, partnership,  
12 association, joint stock company, joint venture, public or  
13 private corporation, limited liability company, and any  
14 receiver, executor, trustee, guardian or other representative  
15 appointed by order of any court.

16 "Sale of Service" means any transaction except:

17 (a) A retail sale of tangible personal property taxable  
18 under the Retailers' Occupation Tax Act or under the Use Tax  
19 Act.

20 (b) A sale of tangible personal property for the purpose of  
21 resale made in compliance with Section 2c of the Retailers'  
22 Occupation Tax Act.

23 (c) Except as hereinafter provided, a sale or transfer of  
24 tangible personal property as an incident to the rendering of  
25 service for or by any governmental body or for or by any  
26 corporation, society, association, foundation or institution

1 organized and operated exclusively for charitable, religious  
2 or educational purposes or any not-for-profit corporation,  
3 society, association, foundation, institution or organization  
4 which has no compensated officers or employees and which is  
5 organized and operated primarily for the recreation of persons  
6 55 years of age or older. A limited liability company may  
7 qualify for the exemption under this paragraph only if the  
8 limited liability company is organized and operated  
9 exclusively for educational purposes.

10 (d) A sale or transfer of tangible personal property as an  
11 incident to the rendering of service for interstate carriers  
12 for hire for use as rolling stock moving in interstate commerce  
13 or lessors under leases of one year or longer, executed or in  
14 effect at the time of purchase, to interstate carriers for hire  
15 for use as rolling stock moving in interstate commerce, and  
16 equipment operated by a telecommunications provider, licensed  
17 as a common carrier by the Federal Communications Commission,  
18 which is permanently installed in or affixed to aircraft moving  
19 in interstate commerce.

20 (d-1) A sale or transfer of tangible personal property as  
21 an incident to the rendering of service for owners, lessors or  
22 shippers of tangible personal property which is utilized by  
23 interstate carriers for hire for use as rolling stock moving in  
24 interstate commerce, and equipment operated by a  
25 telecommunications provider, licensed as a common carrier by  
26 the Federal Communications Commission, which is permanently



1 installed in or affixed to aircraft moving in interstate  
2 commerce.

3 (d-1.1) On and after July 1, 2003 and through June 30,  
4 2004, a sale or transfer of a motor vehicle of the second  
5 division with a gross vehicle weight in excess of 8,000 pounds  
6 as an incident to the rendering of service if that motor  
7 vehicle is subject to the commercial distribution fee imposed  
8 under Section 3-815.1 of the Illinois Vehicle Code. Beginning  
9 on July 1, 2004 and through June 30, 2005, the use in this  
10 State of motor vehicles of the second division: (i) with a  
11 gross vehicle weight rating in excess of 8,000 pounds; (ii)  
12 that are subject to the commercial distribution fee imposed  
13 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)  
14 that are primarily used for commercial purposes. Through June  
15 30, 2005, this exemption applies to repair and replacement  
16 parts added after the initial purchase of such a motor vehicle  
17 if that motor vehicle is used in a manner that would qualify  
18 for the rolling stock exemption otherwise provided for in this  
19 Act. For purposes of this paragraph, "used for commercial  
20 purposes" means the transportation of persons or property in  
21 furtherance of any commercial or industrial enterprise whether  
22 for-hire or not.

23 (d-2) The repairing, reconditioning or remodeling, for a  
24 common carrier by rail, of tangible personal property which  
25 belongs to such carrier for hire, and as to which such carrier  
26 receives the physical possession of the repaired,

1 reconditioned or remodeled item of tangible personal property  
2 in Illinois, and which such carrier transports, or shares with  
3 another common carrier in the transportation of such property,  
4 out of Illinois on a standard uniform bill of lading showing  
5 the person who repaired, reconditioned or remodeled the  
6 property as the shipper or consignor of such property to a  
7 destination outside Illinois, for use outside Illinois.

8 (d-3) A sale or transfer of tangible personal property  
9 which is produced by the seller thereof on special order in  
10 such a way as to have made the applicable tax the Service  
11 Occupation Tax or the Service Use Tax, rather than the  
12 Retailers' Occupation Tax or the Use Tax, for an interstate  
13 carrier by rail which receives the physical possession of such  
14 property in Illinois, and which transports such property, or  
15 shares with another common carrier in the transportation of  
16 such property, out of Illinois on a standard uniform bill of  
17 lading showing the seller of the property as the shipper or  
18 consignor of such property to a destination outside Illinois,  
19 for use outside Illinois.

20 (d-4) Until January 1, 1997, a sale, by a registered  
21 serviceman paying tax under this Act to the Department, of  
22 special order printed materials delivered outside Illinois and  
23 which are not returned to this State, if delivery is made by  
24 the seller or agent of the seller, including an agent who  
25 causes the product to be delivered outside Illinois by a common  
26 carrier or the U.S. postal service.

1 (e) A sale or transfer of machinery and equipment used  
2 primarily in the process of the manufacturing or assembling,  
3 either in an existing, an expanded or a new manufacturing  
4 facility, of tangible personal property for wholesale or retail  
5 sale or lease, whether such sale or lease is made directly by  
6 the manufacturer or by some other person, whether the materials  
7 used in the process are owned by the manufacturer or some other  
8 person, or whether such sale or lease is made apart from or as  
9 an incident to the seller's engaging in a service occupation  
10 and the applicable tax is a Service Occupation Tax or Service  
11 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The  
12 exemption provided by this paragraph (e) does not include  
13 machinery and equipment used in (i) the generation of  
14 electricity for wholesale or retail sale; (ii) the generation  
15 or treatment of natural or artificial gas for wholesale or  
16 retail sale that is delivered to customers through pipes,  
17 pipelines, or mains; or (iii) the treatment of water for  
18 wholesale or retail sale that is delivered to customers through  
19 pipes, pipelines, or mains. The provisions of this amendatory  
20 Act of the 98th General Assembly are declaratory of existing  
21 law as to the meaning and scope of this exemption. The  
22 exemption under this subsection (e), except with respect to  
23 production related tangible personal property, is exempt from  
24 the provisions of Section 3-75.

25 (f) Until July 1, 2003, the sale or transfer of  
26 distillation machinery and equipment, sold as a unit or kit and

1 assembled or installed by the retailer, which machinery and  
2 equipment is certified by the user to be used only for the  
3 production of ethyl alcohol that will be used for consumption  
4 as motor fuel or as a component of motor fuel for the personal  
5 use of such user and not subject to sale or resale.

6 (g) At the election of any serviceman not required to be  
7 otherwise registered as a retailer under Section 2a of the  
8 Retailers' Occupation Tax Act, made for each fiscal year sales  
9 of service in which the aggregate annual cost price of tangible  
10 personal property transferred as an incident to the sales of  
11 service is less than 35% (75% in the case of servicemen  
12 transferring prescription drugs or servicemen engaged in  
13 graphic arts production) of the aggregate annual total gross  
14 receipts from all sales of service. The purchase of such  
15 tangible personal property by the serviceman shall be subject  
16 to tax under the Retailers' Occupation Tax Act and the Use Tax  
17 Act. However, if a primary serviceman who has made the election  
18 described in this paragraph subcontracts service work to a  
19 secondary serviceman who has also made the election described  
20 in this paragraph, the primary serviceman does not incur a Use  
21 Tax liability if the secondary serviceman (i) has paid or will  
22 pay Use Tax on his or her cost price of any tangible personal  
23 property transferred to the primary serviceman and (ii)  
24 certifies that fact in writing to the primary serviceman.

25 Tangible personal property transferred incident to the  
26 completion of a maintenance agreement is exempt from the tax

1 imposed pursuant to this Act.

2 Exemption (e) also includes machinery and equipment used in  
3 the general maintenance or repair of such exempt machinery and  
4 equipment or for in-house manufacture of exempt machinery and  
5 equipment. On and after August 31, 2014 and through December  
6 31, 2019, exemption (e) also includes production related  
7 tangible personal property, as defined in Section 2-45 of the  
8 Retailers' Occupation Tax Act. On and after August 31, 2019,  
9 exemption (e) also includes graphic arts machinery and  
10 equipment, as defined in paragraph (5) of Section 3-5. The  
11 machinery and equipment exemption does not include machinery  
12 and equipment used in (i) the generation of electricity for  
13 wholesale or retail sale; (ii) the generation or treatment of  
14 natural or artificial gas for wholesale or retail sale that is  
15 delivered to customers through pipes, pipelines, or mains; or  
16 (iii) the treatment of water for wholesale or retail sale that  
17 is delivered to customers through pipes, pipelines, or mains.  
18 The provisions of this amendatory Act of the 98th General  
19 Assembly are declaratory of existing law as to the meaning and  
20 scope of this exemption. For the purposes of exemption (e),  
21 each of these terms shall have the following meanings: (1)  
22 "manufacturing process" shall mean the production of any  
23 article of tangible personal property, whether such article is  
24 a finished product or an article for use in the process of  
25 manufacturing or assembling a different article of tangible  
26 personal property, by procedures commonly regarded as

1 manufacturing, processing, fabricating, or refining which  
2 changes some existing material or materials into a material  
3 with a different form, use or name. In relation to a recognized  
4 integrated business composed of a series of operations which  
5 collectively constitute manufacturing, or individually  
6 constitute manufacturing operations, the manufacturing process  
7 shall be deemed to commence with the first operation or stage  
8 of production in the series, and shall not be deemed to end  
9 until the completion of the final product in the last operation  
10 or stage of production in the series; and further for purposes  
11 of exemption (e), photoprocessing is deemed to be a  
12 manufacturing process of tangible personal property for  
13 wholesale or retail sale; (2) "assembling process" shall mean  
14 the production of any article of tangible personal property,  
15 whether such article is a finished product or an article for  
16 use in the process of manufacturing or assembling a different  
17 article of tangible personal property, by the combination of  
18 existing materials in a manner commonly regarded as assembling  
19 which results in a material of a different form, use or name;  
20 (3) "machinery" shall mean major mechanical machines or major  
21 components of such machines contributing to a manufacturing or  
22 assembling process; and (4) "equipment" shall include any  
23 independent device or tool separate from any machinery but  
24 essential to an integrated manufacturing or assembly process;  
25 including computers used primarily in a manufacturer's  
26 computer assisted design, computer assisted manufacturing

1 (CAD/CAM) system; or any subunit or assembly comprising a  
2 component of any machinery or auxiliary, adjunct or attachment  
3 parts of machinery, such as tools, dies, jigs, fixtures,  
4 patterns and molds; or any parts which require periodic  
5 replacement in the course of normal operation; but shall not  
6 include hand tools. Equipment includes chemicals or chemicals  
7 acting as catalysts but only if the chemicals or chemicals  
8 acting as catalysts effect a direct and immediate change upon a  
9 product being manufactured or assembled for wholesale or retail  
10 sale or lease. The purchaser of such machinery and equipment  
11 who has an active resale registration number shall furnish such  
12 number to the seller at the time of purchase. The purchaser of  
13 such machinery and equipment and tools without an active resale  
14 registration number shall furnish to the seller a certificate  
15 of exemption for each transaction stating facts establishing  
16 the exemption for that transaction, which certificate shall be  
17 available to the Department for inspection or audit.

18 Except as provided in Section 2d of this Act, the rolling  
19 stock exemption applies to rolling stock used by an interstate  
20 carrier for hire, even just between points in Illinois, if such  
21 rolling stock transports, for hire, persons whose journeys or  
22 property whose shipments originate or terminate outside  
23 Illinois.

24 Any informal rulings, opinions or letters issued by the  
25 Department in response to an inquiry or request for any opinion  
26 from any person regarding the coverage and applicability of

1 exemption (e) to specific devices shall be published,  
2 maintained as a public record, and made available for public  
3 inspection and copying. If the informal ruling, opinion or  
4 letter contains trade secrets or other confidential  
5 information, where possible the Department shall delete such  
6 information prior to publication. Whenever such informal  
7 rulings, opinions, or letters contain any policy of general  
8 applicability, the Department shall formulate and adopt such  
9 policy as a rule in accordance with the provisions of the  
10 Illinois Administrative Procedure Act.

11 On and after July 1, 1987, no entity otherwise eligible  
12 under exemption (c) of this Section shall make tax free  
13 purchases unless it has an active exemption identification  
14 number issued by the Department.

15 "Serviceman" means any person who is engaged in the  
16 occupation of making sales of service.

17 "Sale at Retail" means "sale at retail" as defined in the  
18 Retailers' Occupation Tax Act.

19 "Supplier" means any person who makes sales of tangible  
20 personal property to servicemen for the purpose of resale as an  
21 incident to a sale of service.

22 (Source: P.A. 98-583, eff. 1-1-14.)

23 (35 ILCS 115/3-5)

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



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

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

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

26           (4) Legal tender, currency, medallions, or gold or silver

1 coinage issued by the State of Illinois, the government of the  
2 United States of America, or the government of any foreign  
3 country, and bullion.

4 (5) Until July 1, 2003 and beginning again on September 1,  
5 2004 through August 30, 2014, graphic arts machinery and  
6 equipment, including repair and replacement parts, both new and  
7 used, and including that manufactured on special order or  
8 purchased for lease, certified by the purchaser to be used  
9 primarily for graphic arts production. Equipment includes  
10 chemicals or chemicals acting as catalysts but only if the  
11 chemicals or chemicals acting as catalysts effect a direct and  
12 immediate change upon a graphic arts product. Beginning on  
13 August 31, 2014, graphic arts machinery and equipment is  
14 included in the manufacturing and assembling machinery and  
15 equipment exemption under Section 2 of this Act.

16 (6) Personal property sold by a teacher-sponsored student  
17 organization affiliated with an elementary or secondary school  
18 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 3-55.

2 (8) Until June 30, 2013, fuel and petroleum products sold  
3 to or used by an air common carrier, certified by the carrier  
4 to be used for consumption, shipment, or storage in the conduct  
5 of its business as an air common carrier, for a flight destined  
6 for or returning from a location or locations outside the  
7 United States without regard to previous or subsequent domestic  
8 stopovers.

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

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

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

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

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

26           (13) Beginning January 1, 1992 and through June 30, 2016,

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

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

15 (15) 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 (15) is exempt from the provisions  
21 of Section 3-55, and the exemption provided for under this item  
22 (15) applies for all periods beginning May 30, 1995, but no  
23 claim for credit or refund is allowed on or after January 1,  
24 2008 (the effective date of Public Act 95-88) for such taxes  
25 paid during the period beginning May 30, 2000 and ending on  
26 January 1, 2008 (the effective date of Public Act 95-88).

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

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

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

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

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

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



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

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

21 (23) Beginning January 1, 2000 and through December 31,  
22 2001, new or used automatic vending machines that prepare and  
23 serve hot food and beverages, including coffee, soup, and other  
24 items, and replacement parts for these machines. Beginning  
25 January 1, 2002 and through June 30, 2003, machines and parts  
26 for machines used in commercial, coin-operated amusement and

1 vending business if a use or occupation tax is paid on the  
2 gross receipts derived from the use of the commercial,  
3 coin-operated amusement and vending machines. This paragraph  
4 is exempt from the provisions of Section 3-55.

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

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

23 (26) Beginning on January 1, 2002 and through June 30,  
24 2016, tangible personal property purchased from an Illinois  
25 retailer by a taxpayer engaged in centralized purchasing  
26 activities in Illinois who will, upon receipt of the property

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

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

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

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

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

17 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
18 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
19 7-16-14; 99-180, eff. 7-29-15.)

20 Section 20. The Retailers' Occupation Tax Act is amended by  
21 changing Sections 2-5 and 2-45 as follows:

22 (35 ILCS 120/2-5)

23 Sec. 2-5. Exemptions. Gross receipts from proceeds from the  
24 sale of the following tangible personal property are exempt

1 from the tax imposed by this Act:

2 (1) Farm chemicals.

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

22 Farm machinery and equipment shall include precision  
23 farming equipment that is installed or purchased to be  
24 installed on farm machinery and equipment including, but not  
25 limited to, tractors, harvesters, sprayers, planters, seeders,  
26 or spreaders. Precision farming equipment includes, but is not

1 limited to, soil testing sensors, computers, monitors,  
2 software, global positioning and mapping systems, and other  
3 such equipment.

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

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

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

1 August 31, 2014, graphic arts machinery and equipment is  
2 included in the manufacturing and assembling machinery and  
3 equipment exemption under paragraph (14).

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

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

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

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

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



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

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

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

26 (12) Tangible personal property sold to interstate

1 carriers for hire for use as rolling stock moving in interstate  
2 commerce or to lessors under leases of one year or longer  
3 executed or in effect at the time of purchase 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 (12-5) On and after July 1, 2003 and through June 30, 2004,  
10 motor vehicles of the second division with a gross vehicle  
11 weight in excess of 8,000 pounds that are subject to the  
12 commercial distribution fee imposed under Section 3-815.1 of  
13 the Illinois Vehicle Code. Beginning on July 1, 2004 and  
14 through June 30, 2005, the use in this State of motor vehicles  
15 of the second division: (i) with a gross vehicle weight rating  
16 in excess of 8,000 pounds; (ii) that are subject to the  
17 commercial distribution fee imposed under Section 3-815.1 of  
18 the Illinois Vehicle Code; and (iii) that are primarily used  
19 for commercial purposes. Through June 30, 2005, this exemption  
20 applies to repair and replacement parts added after the initial  
21 purchase of such a motor vehicle if that motor vehicle is used  
22 in a manner that would qualify for the rolling stock exemption  
23 otherwise provided for in this Act. For purposes of this  
24 paragraph, "used for commercial purposes" means the  
25 transportation of persons or property in furtherance of any  
26 commercial or industrial enterprise whether for-hire or not.

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

8           (14) Machinery and equipment that will be used by the  
9 purchaser, or a lessee of the purchaser, primarily in the  
10 process of manufacturing or assembling tangible personal  
11 property for wholesale or retail sale or lease, whether the  
12 sale or lease is made directly by the manufacturer or by some  
13 other person, whether the materials used in the process are  
14 owned by the manufacturer or some other person, or whether the  
15 sale or lease is made apart from or as an incident to the  
16 seller's engaging in the service occupation of producing  
17 machines, tools, dies, jigs, patterns, gauges, or other similar  
18 items of no commercial value on special order for a particular  
19 purchaser. The exemption provided by this paragraph (14) does  
20 not include machinery and equipment used in (i) the generation  
21 of electricity for wholesale or retail sale; (ii) the  
22 generation or treatment of natural or artificial gas for  
23 wholesale or retail sale that is delivered to customers through  
24 pipes, pipelines, or mains; or (iii) the treatment of water for  
25 wholesale or retail sale that is delivered to customers through  
26 pipes, pipelines, or mains. The provisions of Public Act 98-583

1 are declaratory of existing law as to the meaning and scope of  
2 this exemption. Beginning on August 31, 2014, the exemption  
3 provided by this paragraph (14) includes, but is not limited  
4 to, graphic arts machinery and equipment, as defined in  
5 paragraph (4) of this Section. Beginning on August 31, 2014 and  
6 until December 31, 2019, the exemption provided by this  
7 paragraph (14) includes, but is not limited to, production  
8 related tangible personal property, as defined in Section 2-45  
9 of this Act. The exemption provided by this paragraph (14),  
10 except with respect to production related tangible personal  
11 property, is exempt from the provisions of Section 2-70.

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

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

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

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

4 (18) 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 (19) Until July 1 2003, oil field exploration, drilling,  
9 and production equipment, including (i) rigs and parts of rigs,  
10 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
11 tubular goods, including casing and drill strings, (iii) pumps  
12 and pump-jack units, (iv) storage tanks and flow lines, (v) any  
13 individual replacement part for oil field exploration,  
14 drilling, and production equipment, and (vi) machinery and  
15 equipment purchased for lease; but excluding motor vehicles  
16 required to be registered under the Illinois Vehicle Code.

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

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

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

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

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

24 (23) A transaction in which the purchase order is received  
25 by a florist who is located outside Illinois, but who has a  
26 florist located in Illinois deliver the property to the

1 purchaser or the purchaser's donee in Illinois.

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

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

20 (25-5) The exemption under item (25) does not apply if the  
21 state in which the motor vehicle will be titled does not allow  
22 a reciprocal exemption for a motor vehicle sold and delivered  
23 in that state to an Illinois resident but titled in Illinois.  
24 The tax collected under this Act on the sale of a motor vehicle  
25 in this State to a resident of another state that does not  
26 allow a reciprocal exemption shall be imposed at a rate equal

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

22 (25-7) Beginning on July 1, 2007, no tax is imposed under  
23 this Act on the sale of an aircraft, as defined in Section 3 of  
24 the Illinois Aeronautics Act, if all of the following  
25 conditions are met:

26 (1) the aircraft leaves this State within 15 days after



1 the later of either the issuance of the final billing for  
2 the sale of the aircraft, or the authorized approval for  
3 return to service, completion of the maintenance record  
4 entry, and completion of the test flight and ground test  
5 for inspection, as required by 14 C.F.R. 91.407;

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

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

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

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

23 "Registered in this State" means an aircraft registered  
24 with the Department of Transportation, Aeronautics Division,  
25 or titled or registered with the Federal Aviation  
26 Administration to an address located in this State.

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

3           (26) Semen used for artificial insemination of livestock  
4 for direct agricultural production.

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

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

25           (29) Personal property sold to a lessor who leases the  
26 property, under a lease of one year or longer executed or in

1 effect at the time of the purchase, to a governmental body that  
2 has been issued an active tax exemption identification number  
3 by the Department under Section 1g of this Act.

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

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

26 (32) Beginning July 1, 1999, game or game birds sold at a

1 "game breeding and hunting preserve area" as that term is used  
2 in the Wildlife Code. This paragraph is exempt from the  
3 provisions of Section 2-70.

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

22 (34) Beginning January 1, 2000, personal property,  
23 including food, purchased through fundraising events for the  
24 benefit of a public or private elementary or secondary school,  
25 a group of those schools, or one or more school districts if  
26 the events are sponsored by an entity recognized by the school

1 district that consists primarily of volunteers and includes  
2 parents and teachers of the school children. This paragraph  
3 does not apply to fundraising events (i) for the benefit of  
4 private home instruction or (ii) for which the fundraising  
5 entity purchases the personal property sold at the events from  
6 another individual or entity that sold the property for the  
7 purpose of resale by the fundraising entity and that profits  
8 from the sale to the fundraising entity. This paragraph is  
9 exempt from the provisions of Section 2-70.

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

20 (35-5) Beginning August 23, 2001 and through June 30, 2016,  
21 food for human consumption that is to be consumed off the  
22 premises where it is sold (other than alcoholic beverages, soft  
23 drinks, and food that has been prepared for immediate  
24 consumption) and prescription and nonprescription medicines,  
25 drugs, medical appliances, and insulin, urine testing  
26 materials, syringes, and needles used by diabetics, for human

1 use, when purchased for use by a person receiving medical  
2 assistance under Article V of the Illinois Public Aid Code who  
3 resides in a licensed long-term care facility, as defined in  
4 the Nursing Home Care Act, or a licensed facility as defined in  
5 the ID/DD Community Care Act, the MC/DD Act, or the Specialized  
6 Mental Health Rehabilitation Act of 2013.

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

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

23 (38) Beginning on January 1, 2002 and through June 30,  
24 2016, tangible personal property purchased from an Illinois  
25 retailer by a taxpayer engaged in centralized purchasing  
26 activities in Illinois who will, upon receipt of the property

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

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

1           (40) Beginning January 1, 2010, materials, parts,  
2 equipment, components, and furnishings incorporated into or  
3 upon an aircraft as part of the modification, refurbishment,  
4 completion, replacement, repair, or maintenance of the  
5 aircraft. This exemption includes consumable supplies used in  
6 the modification, refurbishment, completion, replacement,  
7 repair, and maintenance of aircraft, but excludes any  
8 materials, parts, equipment, components, and consumable  
9 supplies used in the modification, replacement, repair, and  
10 maintenance of aircraft engines or power plants, whether such  
11 engines or power plants are installed or uninstalled upon any  
12 such aircraft. "Consumable supplies" include, but are not  
13 limited to, adhesive, tape, sandpaper, general purpose  
14 lubricants, cleaning solution, latex gloves, and protective  
15 films. This exemption applies only to the sale of qualifying  
16 tangible personal property to persons who modify, refurbish,  
17 complete, replace, or maintain an aircraft and who (i) hold an  
18 Air Agency Certificate and are empowered to operate an approved  
19 repair station by the Federal Aviation Administration, (ii)  
20 have a Class IV Rating, and (iii) conduct operations in  
21 accordance with Part 145 of the Federal Aviation Regulations.  
22 The exemption does not include aircraft operated by a  
23 commercial air carrier providing scheduled passenger air  
24 service pursuant to authority issued under Part 121 or Part 129  
25 of the Federal Aviation Regulations. The changes made to this  
26 paragraph (40) by Public Act 98-534 are declarative of existing



1 law.

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

16 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
17 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
18 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
19 7-29-15.)

20 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

21 Sec. 2-45. Manufacturing and assembly exemption. The  
22 manufacturing and assembly machinery and equipment exemption  
23 includes machinery and equipment that replaces machinery and  
24 equipment in an existing manufacturing facility as well as  
25 machinery and equipment that are for use in an expanded or new

1 manufacturing facility.

2 The machinery and equipment exemption also includes  
3 machinery and equipment used in the general maintenance or  
4 repair of exempt machinery and equipment or for in-house  
5 manufacture of exempt machinery and equipment. Beginning on  
6 August 31, 2014, the manufacturing and assembling machinery and  
7 equipment exemption also includes graphic arts machinery and  
8 equipment, as defined in paragraph (4) of Section 2-5.  
9 Beginning on August 31, 2014 and until December 31, 2019, the  
10 manufacturing and assembling machinery and equipment exemption  
11 also includes production related tangible personal property,  
12 as defined in this Section. The machinery and equipment  
13 exemption does not include machinery and equipment used in (i)  
14 the generation of electricity for wholesale or retail sale;  
15 (ii) the generation or treatment of natural or artificial gas  
16 for wholesale or retail sale that is delivered to customers  
17 through pipes, pipelines, or mains; or (iii) the treatment of  
18 water for wholesale or retail sale that is delivered to  
19 customers through pipes, pipelines, or mains. The provisions of  
20 this amendatory Act of the 98th General Assembly are  
21 declaratory of existing law as to the meaning and scope of this  
22 exemption. For the purposes of this exemption, terms have the  
23 following meanings:

24 (1) "Manufacturing process" means the production of an  
25 article of tangible personal property, whether the article  
26 is a finished product or an article for use in the process

1 of manufacturing or assembling a different article of  
2 tangible personal property, by a procedure commonly  
3 regarded as manufacturing, processing, fabricating, or  
4 refining that changes some existing material or materials  
5 into a material with a different form, use, or name. In  
6 relation to a recognized integrated business composed of a  
7 series of operations that collectively constitute  
8 manufacturing, or individually constitute manufacturing  
9 operations, the manufacturing process commences with the  
10 first operation or stage of production in the series and  
11 does not end until the completion of the final product in  
12 the last operation or stage of production in the series.  
13 For purposes of this exemption, photoprocessing is a  
14 manufacturing process of tangible personal property for  
15 wholesale or retail sale.

16 (2) "Assembling process" means the production of an  
17 article of tangible personal property, whether the article  
18 is a finished product or an article for use in the process  
19 of manufacturing or assembling a different article of  
20 tangible personal property, by the combination of existing  
21 materials in a manner commonly regarded as assembling that  
22 results in a material of a different form, use, or name.

23 (3) "Machinery" means major mechanical machines or  
24 major components of those machines contributing to a  
25 manufacturing or assembling process.

26 (4) "Equipment" includes an independent device or tool

1 separate from machinery but essential to an integrated  
2 manufacturing or assembly process; including computers  
3 used primarily in a manufacturer's computer assisted  
4 design, computer assisted manufacturing (CAD/CAM) system;  
5 any subunit or assembly comprising a component of any  
6 machinery or auxiliary, adjunct, or attachment parts of  
7 machinery, such as tools, dies, jigs, fixtures, patterns,  
8 and molds; and any parts that require periodic replacement  
9 in the course of normal operation; but does not include  
10 hand tools. Equipment includes chemicals or chemicals  
11 acting as catalysts but only if the chemicals or chemicals  
12 acting as catalysts effect a direct and immediate change  
13 upon a product being manufactured or assembled for  
14 wholesale or retail sale or lease.

15 (5) "Production related tangible personal property"  
16 means all tangible personal property that is used or  
17 consumed by the purchaser in a manufacturing facility in  
18 which a manufacturing process takes place and includes,  
19 without limitation, tangible personal property that is  
20 purchased for incorporation into real estate within a  
21 manufacturing facility and tangible personal property that  
22 is used or consumed in activities such as research and  
23 development, preproduction material handling, receiving,  
24 quality control, inventory control, storage, staging, and  
25 packaging for shipping and transportation purposes.  
26 "Production related tangible personal property" does not

1 include (i) tangible personal property that is used, within  
2 or without a manufacturing facility, in sales, purchasing,  
3 accounting, fiscal management, marketing, personnel  
4 recruitment or selection, or landscaping or (ii) tangible  
5 personal property that is required to be titled or  
6 registered with a department, agency, or unit of federal,  
7 State, or local government.

8 The manufacturing and assembling machinery and equipment  
9 exemption includes production related tangible personal  
10 property that is purchased (i) on or after July 1, 2007 and on  
11 or before June 30, 2008 or (ii) on and after August 31, 2014  
12 and on or before December 31, 2019. The exemption for  
13 production related tangible personal property purchased on or  
14 after July 1, 2007 and on or before June 30, 2008 is subject to  
15 both of the following limitations:

16 (1) The maximum amount of the exemption for any one  
17 taxpayer may not exceed 5% of the purchase price of  
18 production related tangible personal property that is  
19 purchased on or after July 1, 2007 and on or before June  
20 30, 2008. A credit under Section 3-85 of this Act may not  
21 be earned by the purchase of production related tangible  
22 personal property for which an exemption is received under  
23 this Section.

24 (2) The maximum aggregate amount of the exemptions for  
25 production related tangible personal property awarded  
26 under this Act and the Use Tax Act to all taxpayers may not

1           exceed \$10,000,000. If the claims for the exemption exceed  
2           \$10,000,000, then the Department shall reduce the amount of  
3           the exemption to each taxpayer on a pro rata basis.

4           The Department may adopt rules to implement and administer the  
5           exemption for production related tangible personal property.

6           The manufacturing and assembling machinery and equipment  
7           exemption includes the sale of materials to a purchaser who  
8           produces exempted types of machinery, equipment, or tools and  
9           who rents or leases that machinery, equipment, or tools to a  
10          manufacturer of tangible personal property. This exemption  
11          also includes the sale of materials to a purchaser who  
12          manufactures those materials into an exempted type of  
13          machinery, equipment, or tools that the purchaser uses himself  
14          or herself in the manufacturing of tangible personal property.  
15          The purchaser of the machinery and equipment who has an active  
16          resale registration number shall furnish that number to the  
17          seller at the time of purchase. A purchaser of the machinery,  
18          equipment, and tools without an active resale registration  
19          number shall furnish to the seller a certificate of exemption  
20          for each transaction stating facts establishing the exemption  
21          for that transaction, and that certificate shall be available  
22          to the Department for inspection or audit. Informal rulings,  
23          opinions, or letters issued by the Department in response to an  
24          inquiry or request for an opinion from any person regarding the  
25          coverage and applicability of this exemption to specific  
26          devices shall be published, maintained as a public record, and

1 made available for public inspection and copying. If the  
2 informal ruling, opinion, or letter contains trade secrets or  
3 other confidential information, where possible, the Department  
4 shall delete that information before publication. Whenever  
5 informal rulings, opinions, or letters contain a policy of  
6 general applicability, the Department shall formulate and  
7 adopt that policy as a rule in accordance with the Illinois  
8 Administrative Procedure Act.

9 The manufacturing and assembling machinery and equipment  
10 exemption, except with respect to production related tangible  
11 personal property, is exempt from the provisions of Section  
12 2-70.

13 (Source: P.A. 98-583, eff. 1-1-14.)

14 Section 99. Effective date. This Act takes effect upon  
15 becoming law.