



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB5717

by Rep. Michael J. Zalewski

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Income Tax Act. Reinstates the research and development credit for tax years ending on or after January 1, 2016, and provides that the credit applies on a permanent basis. Provides that the credit may be carried forward for a period of 20 years (instead of 5 years). Creates an addition modification in an amount equal to the deduction for qualified domestic production activities allowed under Section 199 of the Internal Revenue Code for the taxable year. Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that the manufacturing and assembling machinery and equipment exemption includes graphic arts machinery and equipment and production related tangible personal property. Provides that the exemption for coal and aggregate exploration, mining, off-highway hauling, processing, maintenance, and reclamation equipment applies on a permanent basis. Effective immediately.

LRB099 18102 HLH 45087 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 Illinois Income Tax Act is amended by
5 changing Sections 201 and 203 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

8 (a) In general. A tax measured by net income is hereby
9 imposed on every individual, corporation, trust and estate for
10 each taxable year ending after July 31, 1969 on the privilege
11 of earning or receiving income in or as a resident of this
12 State. Such tax shall be in addition to all other occupation or
13 privilege taxes imposed by this State or by any municipal
14 corporation or political subdivision thereof.

15 (b) Rates. The tax imposed by subsection (a) of this
16 Section shall be determined as follows, except as adjusted by
17 subsection (d-1):

18 (1) In the case of an individual, trust or estate, for
19 taxable years ending prior to July 1, 1989, an amount equal
20 to 2 1/2% of the taxpayer's net income for the taxable
21 year.

22 (2) In the case of an individual, trust or estate, for
23 taxable years beginning prior to July 1, 1989 and ending

1 after June 30, 1989, an amount equal to the sum of (i) 2
2 1/2% of the taxpayer's net income for the period prior to
3 July 1, 1989, as calculated under Section 202.3, and (ii)
4 3% of the taxpayer's net income for the period after June
5 30, 1989, as calculated under Section 202.3.

6 (3) In the case of an individual, trust or estate, for
7 taxable years beginning after June 30, 1989, and ending
8 prior to January 1, 2011, an amount equal to 3% of the
9 taxpayer's net income for the taxable year.

10 (4) In the case of an individual, trust, or estate, for
11 taxable years beginning prior to January 1, 2011, and
12 ending after December 31, 2010, an amount equal to the sum
13 of (i) 3% of the taxpayer's net income for the period prior
14 to January 1, 2011, as calculated under Section 202.5, and
15 (ii) 5% of the taxpayer's net income for the period after
16 December 31, 2010, as calculated under Section 202.5.

17 (5) In the case of an individual, trust, or estate, for
18 taxable years beginning on or after January 1, 2011, and
19 ending prior to January 1, 2015, an amount equal to 5% of
20 the taxpayer's net income for the taxable year.

21 (5.1) In the case of an individual, trust, or estate,
22 for taxable years beginning prior to January 1, 2015, and
23 ending after December 31, 2014, an amount equal to the sum
24 of (i) 5% of the taxpayer's net income for the period prior
25 to January 1, 2015, as calculated under Section 202.5, and
26 (ii) 3.75% of the taxpayer's net income for the period

1 after December 31, 2014, as calculated under Section 202.5.

2 (5.2) In the case of an individual, trust, or estate,
3 for taxable years beginning on or after January 1, 2015,
4 and ending prior to January 1, 2025, an amount equal to
5 3.75% of the taxpayer's net income for the taxable year.

6 (5.3) In the case of an individual, trust, or estate,
7 for taxable years beginning prior to January 1, 2025, and
8 ending after December 31, 2024, an amount equal to the sum
9 of (i) 3.75% of the taxpayer's net income for the period
10 prior to January 1, 2025, as calculated under Section
11 202.5, and (ii) 3.25% of the taxpayer's net income for the
12 period after December 31, 2024, as calculated under Section
13 202.5.

14 (5.4) In the case of an individual, trust, or estate,
15 for taxable years beginning on or after January 1, 2025, an
16 amount equal to 3.25% of the taxpayer's net income for the
17 taxable year.

18 (6) In the case of a corporation, for taxable years
19 ending prior to July 1, 1989, an amount equal to 4% of the
20 taxpayer's net income for the taxable year.

21 (7) In the case of a corporation, for taxable years
22 beginning prior to July 1, 1989 and ending after June 30,
23 1989, an amount equal to the sum of (i) 4% of the
24 taxpayer's net income for the period prior to July 1, 1989,
25 as calculated under Section 202.3, and (ii) 4.8% of the
26 taxpayer's net income for the period after June 30, 1989,

1 as calculated under Section 202.3.

2 (8) In the case of a corporation, for taxable years
3 beginning after June 30, 1989, and ending prior to January
4 1, 2011, an amount equal to 4.8% of the taxpayer's net
5 income for the taxable year.

6 (9) In the case of a corporation, for taxable years
7 beginning prior to January 1, 2011, and ending after
8 December 31, 2010, an amount equal to the sum of (i) 4.8%
9 of the taxpayer's net income for the period prior to
10 January 1, 2011, as calculated under Section 202.5, and
11 (ii) 7% of the taxpayer's net income for the period after
12 December 31, 2010, as calculated under Section 202.5.

13 (10) In the case of a corporation, for taxable years
14 beginning on or after January 1, 2011, and ending prior to
15 January 1, 2015, an amount equal to 7% of the taxpayer's
16 net income for the taxable year.

17 (11) In the case of a corporation, for taxable years
18 beginning prior to January 1, 2015, and ending after
19 December 31, 2014, an amount equal to the sum of (i) 7% of
20 the taxpayer's net income for the period prior to January
21 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
22 of the taxpayer's net income for the period after December
23 31, 2014, as calculated under Section 202.5.

24 (12) In the case of a corporation, for taxable years
25 beginning on or after January 1, 2015, and ending prior to
26 January 1, 2025, an amount equal to 5.25% of the taxpayer's

1 net income for the taxable year.

2 (13) In the case of a corporation, for taxable years
3 beginning prior to January 1, 2025, and ending after
4 December 31, 2024, an amount equal to the sum of (i) 5.25%
5 of the taxpayer's net income for the period prior to
6 January 1, 2025, as calculated under Section 202.5, and
7 (ii) 4.8% of the taxpayer's net income for the period after
8 December 31, 2024, as calculated under Section 202.5.

9 (14) In the case of a corporation, for taxable years
10 beginning on or after January 1, 2025, an amount equal to
11 4.8% of the taxpayer's net income for the taxable year.

12 The rates under this subsection (b) are subject to the
13 provisions of Section 201.5.

14 (c) Personal Property Tax Replacement Income Tax.
15 Beginning on July 1, 1979 and thereafter, in addition to such
16 income tax, there is also hereby imposed the Personal Property
17 Tax Replacement Income Tax measured by net income on every
18 corporation (including Subchapter S corporations), partnership
19 and trust, for each taxable year ending after June 30, 1979.
20 Such taxes are imposed on the privilege of earning or receiving
21 income in or as a resident of this State. The Personal Property
22 Tax Replacement Income Tax shall be in addition to the income
23 tax imposed by subsections (a) and (b) of this Section and in
24 addition to all other occupation or privilege taxes imposed by
25 this State or by any municipal corporation or political
26 subdivision thereof.

1 (d) Additional Personal Property Tax Replacement Income
2 Tax Rates. The personal property tax replacement income tax
3 imposed by this subsection and subsection (c) of this Section
4 in the case of a corporation, other than a Subchapter S
5 corporation and except as adjusted by subsection (d-1), shall
6 be an additional amount equal to 2.85% of such taxpayer's net
7 income for the taxable year, except that beginning on January
8 1, 1981, and thereafter, the rate of 2.85% specified in this
9 subsection shall be reduced to 2.5%, and in the case of a
10 partnership, trust or a Subchapter S corporation shall be an
11 additional amount equal to 1.5% of such taxpayer's net income
12 for the taxable year.

13 (d-1) Rate reduction for certain foreign insurers. In the
14 case of a foreign insurer, as defined by Section 35A-5 of the
15 Illinois Insurance Code, whose state or country of domicile
16 imposes on insurers domiciled in Illinois a retaliatory tax
17 (excluding any insurer whose premiums from reinsurance assumed
18 are 50% or more of its total insurance premiums as determined
19 under paragraph (2) of subsection (b) of Section 304, except
20 that for purposes of this determination premiums from
21 reinsurance do not include premiums from inter-affiliate
22 reinsurance arrangements), beginning with taxable years ending
23 on or after December 31, 1999, the sum of the rates of tax
24 imposed by subsections (b) and (d) shall be reduced (but not
25 increased) to the rate at which the total amount of tax imposed
26 under this Act, net of all credits allowed under this Act,

1 shall equal (i) the total amount of tax that would be imposed
2 on the foreign insurer's net income allocable to Illinois for
3 the taxable year by such foreign insurer's state or country of
4 domicile if that net income were subject to all income taxes
5 and taxes measured by net income imposed by such foreign
6 insurer's state or country of domicile, net of all credits
7 allowed or (ii) a rate of zero if no such tax is imposed on such
8 income by the foreign insurer's state of domicile. For the
9 purposes of this subsection (d-1), an inter-affiliate includes
10 a mutual insurer under common management.

11 (1) For the purposes of subsection (d-1), in no event
12 shall the sum of the rates of tax imposed by subsections
13 (b) and (d) be reduced below the rate at which the sum of:

14 (A) the total amount of tax imposed on such foreign
15 insurer under this Act for a taxable year, net of all
16 credits allowed under this Act, plus

17 (B) the privilege tax imposed by Section 409 of the
18 Illinois Insurance Code, the fire insurance company
19 tax imposed by Section 12 of the Fire Investigation
20 Act, and the fire department taxes imposed under
21 Section 11-10-1 of the Illinois Municipal Code,

22 equals 1.25% for taxable years ending prior to December 31,
23 2003, or 1.75% for taxable years ending on or after
24 December 31, 2003, of the net taxable premiums written for
25 the taxable year, as described by subsection (1) of Section
26 409 of the Illinois Insurance Code. This paragraph will in

1 no event increase the rates imposed under subsections (b)
2 and (d).

3 (2) Any reduction in the rates of tax imposed by this
4 subsection shall be applied first against the rates imposed
5 by subsection (b) and only after the tax imposed by
6 subsection (a) net of all credits allowed under this
7 Section other than the credit allowed under subsection (i)
8 has been reduced to zero, against the rates imposed by
9 subsection (d).

10 This subsection (d-1) is exempt from the provisions of
11 Section 250.

12 (e) Investment credit. A taxpayer shall be allowed a credit
13 against the Personal Property Tax Replacement Income Tax for
14 investment in qualified property.

15 (1) A taxpayer shall be allowed a credit equal to .5%
16 of the basis of qualified property placed in service during
17 the taxable year, provided such property is placed in
18 service on or after July 1, 1984. There shall be allowed an
19 additional credit equal to .5% of the basis of qualified
20 property placed in service during the taxable year,
21 provided such property is placed in service on or after
22 July 1, 1986, and the taxpayer's base employment within
23 Illinois has increased by 1% or more over the preceding
24 year as determined by the taxpayer's employment records
25 filed with the Illinois Department of Employment Security.
26 Taxpayers who are new to Illinois shall be deemed to have

1 met the 1% growth in base employment for the first year in
2 which they file employment records with the Illinois
3 Department of Employment Security. The provisions added to
4 this Section by Public Act 85-1200 (and restored by Public
5 Act 87-895) shall be construed as declaratory of existing
6 law and not as a new enactment. If, in any year, the
7 increase in base employment within Illinois over the
8 preceding year is less than 1%, the additional credit shall
9 be limited to that percentage times a fraction, the
10 numerator of which is .5% and the denominator of which is
11 1%, but shall not exceed .5%. The investment credit shall
12 not be allowed to the extent that it would reduce a
13 taxpayer's liability in any tax year below zero, nor may
14 any credit for qualified property be allowed for any year
15 other than the year in which the property was placed in
16 service in Illinois. For tax years ending on or after
17 December 31, 1987, and on or before December 31, 1988, the
18 credit shall be allowed for the tax year in which the
19 property is placed in service, or, if the amount of the
20 credit exceeds the tax liability for that year, whether it
21 exceeds the original liability or the liability as later
22 amended, such excess may be carried forward and applied to
23 the tax liability of the 5 taxable years following the
24 excess credit years if the taxpayer (i) makes investments
25 which cause the creation of a minimum of 2,000 full-time
26 equivalent jobs in Illinois, (ii) is located in an

1 enterprise zone established pursuant to the Illinois
2 Enterprise Zone Act and (iii) is certified by the
3 Department of Commerce and Community Affairs (now
4 Department of Commerce and Economic Opportunity) as
5 complying with the requirements specified in clause (i) and
6 (ii) by July 1, 1986. The Department of Commerce and
7 Community Affairs (now Department of Commerce and Economic
8 Opportunity) shall notify the Department of Revenue of all
9 such certifications immediately. For tax years ending
10 after December 31, 1988, the credit shall be allowed for
11 the tax year in which the property is placed in service,
12 or, if the amount of the credit exceeds the tax liability
13 for that year, whether it exceeds the original liability or
14 the liability as later amended, such excess may be carried
15 forward and applied to the tax liability of the 5 taxable
16 years following the excess credit years. The credit shall
17 be applied to the earliest year for which there is a
18 liability. If there is credit from more than one tax year
19 that is available to offset a liability, earlier credit
20 shall be applied first.

21 (2) The term "qualified property" means property
22 which:

23 (A) is tangible, whether new or used, including
24 buildings and structural components of buildings and
25 signs that are real property, but not including land or
26 improvements to real property that are not a structural

1 component of a building such as landscaping, sewer
2 lines, local access roads, fencing, parking lots, and
3 other appurtenances;

4 (B) is depreciable pursuant to Section 167 of the
5 Internal Revenue Code, except that "3-year property"
6 as defined in Section 168(c)(2)(A) of that Code is not
7 eligible for the credit provided by this subsection
8 (e);

9 (C) is acquired by purchase as defined in Section
10 179(d) of the Internal Revenue Code;

11 (D) is used in Illinois by a taxpayer who is
12 primarily engaged in manufacturing, or in mining coal
13 or fluorite, or in retailing, or was placed in service
14 on or after July 1, 2006 in a River Edge Redevelopment
15 Zone established pursuant to the River Edge
16 Redevelopment Zone Act; and

17 (E) has not previously been used in Illinois in
18 such a manner and by such a person as would qualify for
19 the credit provided by this subsection (e) or
20 subsection (f).

21 (3) For purposes of this subsection (e),
22 "manufacturing" means the material staging and production
23 of tangible personal property by procedures commonly
24 regarded as manufacturing, processing, fabrication, or
25 assembling which changes some existing material into new
26 shapes, new qualities, or new combinations. For purposes of

1 this subsection (e) the term "mining" shall have the same
2 meaning as the term "mining" in Section 613(c) of the
3 Internal Revenue Code. For purposes of this subsection (e),
4 the term "retailing" means the sale of tangible personal
5 property for use or consumption and not for resale, or
6 services rendered in conjunction with the sale of tangible
7 personal property for use or consumption and not for
8 resale. For purposes of this subsection (e), "tangible
9 personal property" has the same meaning as when that term
10 is used in the Retailers' Occupation Tax Act, and, for
11 taxable years ending after December 31, 2008, does not
12 include the generation, transmission, or distribution of
13 electricity.

14 (4) The basis of qualified property shall be the basis
15 used to compute the depreciation deduction for federal
16 income tax purposes.

17 (5) If the basis of the property for federal income tax
18 depreciation purposes is increased after it has been placed
19 in service in Illinois by the taxpayer, the amount of such
20 increase shall be deemed property placed in service on the
21 date of such increase in basis.

22 (6) The term "placed in service" shall have the same
23 meaning as under Section 46 of the Internal Revenue Code.

24 (7) If during any taxable year, any property ceases to
25 be qualified property in the hands of the taxpayer within
26 48 months after being placed in service, or the situs of

1 any qualified property is moved outside Illinois within 48
2 months after being placed in service, the Personal Property
3 Tax Replacement Income Tax for such taxable year shall be
4 increased. Such increase shall be determined by (i)
5 recomputing the investment credit which would have been
6 allowed for the year in which credit for such property was
7 originally allowed by eliminating such property from such
8 computation and, (ii) subtracting such recomputed credit
9 from the amount of credit previously allowed. For the
10 purposes of this paragraph (7), a reduction of the basis of
11 qualified property resulting from a redetermination of the
12 purchase price shall be deemed a disposition of qualified
13 property to the extent of such reduction.

14 (8) Unless the investment credit is extended by law,
15 the basis of qualified property shall not include costs
16 incurred after December 31, 2018, except for costs incurred
17 pursuant to a binding contract entered into on or before
18 December 31, 2018.

19 (9) Each taxable year ending before December 31, 2000,
20 a partnership may elect to pass through to its partners the
21 credits to which the partnership is entitled under this
22 subsection (e) for the taxable year. A partner may use the
23 credit allocated to him or her under this paragraph only
24 against the tax imposed in subsections (c) and (d) of this
25 Section. If the partnership makes that election, those
26 credits shall be allocated among the partners in the

1 partnership in accordance with the rules set forth in
2 Section 704(b) of the Internal Revenue Code, and the rules
3 promulgated under that Section, and the allocated amount of
4 the credits shall be allowed to the partners for that
5 taxable year. The partnership shall make this election on
6 its Personal Property Tax Replacement Income Tax return for
7 that taxable year. The election to pass through the credits
8 shall be irrevocable.

9 For taxable years ending on or after December 31, 2000,
10 a partner that qualifies its partnership for a subtraction
11 under subparagraph (I) of paragraph (2) of subsection (d)
12 of Section 203 or a shareholder that qualifies a Subchapter
13 S corporation for a subtraction under subparagraph (S) of
14 paragraph (2) of subsection (b) of Section 203 shall be
15 allowed a credit under this subsection (e) equal to its
16 share of the credit earned under this subsection (e) during
17 the taxable year by the partnership or Subchapter S
18 corporation, determined in accordance with the
19 determination of income and distributive share of income
20 under Sections 702 and 704 and Subchapter S of the Internal
21 Revenue Code. This paragraph is exempt from the provisions
22 of Section 250.

23 (f) Investment credit; Enterprise Zone; River Edge
24 Redevelopment Zone.

25 (1) A taxpayer shall be allowed a credit against the
26 tax imposed by subsections (a) and (b) of this Section for

1 investment in qualified property which is placed in service
2 in an Enterprise Zone created pursuant to the Illinois
3 Enterprise Zone Act or, for property placed in service on
4 or after July 1, 2006, a River Edge Redevelopment Zone
5 established pursuant to the River Edge Redevelopment Zone
6 Act. For partners, shareholders of Subchapter S
7 corporations, and owners of limited liability companies,
8 if the liability company is treated as a partnership for
9 purposes of federal and State income taxation, there shall
10 be allowed a credit under this subsection (f) to be
11 determined in accordance with the determination of income
12 and distributive share of income under Sections 702 and 704
13 and Subchapter S of the Internal Revenue Code. The credit
14 shall be .5% of the basis for such property. The credit
15 shall be available only in the taxable year in which the
16 property is placed in service in the Enterprise Zone or
17 River Edge Redevelopment Zone and shall not be allowed to
18 the extent that it would reduce a taxpayer's liability for
19 the tax imposed by subsections (a) and (b) of this Section
20 to below zero. For tax years ending on or after December
21 31, 1985, the credit shall be allowed for the tax year in
22 which the property is placed in service, or, if the amount
23 of the credit exceeds the tax liability for that year,
24 whether it exceeds the original liability or the liability
25 as later amended, such excess may be carried forward and
26 applied to the tax liability of the 5 taxable years

1 following the excess credit year. The credit shall be
2 applied to the earliest year for which there is a
3 liability. If there is credit from more than one tax year
4 that is available to offset a liability, the credit
5 accruing first in time shall be applied first.

6 (2) The term qualified property means property which:

7 (A) is tangible, whether new or used, including
8 buildings and structural components of buildings;

9 (B) is depreciable pursuant to Section 167 of the
10 Internal Revenue Code, except that "3-year property"
11 as defined in Section 168(c)(2)(A) of that Code is not
12 eligible for the credit provided by this subsection
13 (f);

14 (C) is acquired by purchase as defined in Section
15 179(d) of the Internal Revenue Code;

16 (D) is used in the Enterprise Zone or River Edge
17 Redevelopment Zone by the taxpayer; and

18 (E) has not been previously used in Illinois in
19 such a manner and by such a person as would qualify for
20 the credit provided by this subsection (f) or
21 subsection (e).

22 (3) The basis of qualified property shall be the basis
23 used to compute the depreciation deduction for federal
24 income tax purposes.

25 (4) If the basis of the property for federal income tax
26 depreciation purposes is increased after it has been placed

1 in service in the Enterprise Zone or River Edge
2 Redevelopment Zone by the taxpayer, the amount of such
3 increase shall be deemed property placed in service on the
4 date of such increase in basis.

5 (5) The term "placed in service" shall have the same
6 meaning as under Section 46 of the Internal Revenue Code.

7 (6) If during any taxable year, any property ceases to
8 be qualified property in the hands of the taxpayer within
9 48 months after being placed in service, or the situs of
10 any qualified property is moved outside the Enterprise Zone
11 or River Edge Redevelopment Zone within 48 months after
12 being placed in service, the tax imposed under subsections
13 (a) and (b) of this Section for such taxable year shall be
14 increased. Such increase shall be determined by (i)
15 recomputing the investment credit which would have been
16 allowed for the year in which credit for such property was
17 originally allowed by eliminating such property from such
18 computation, and (ii) subtracting such recomputed credit
19 from the amount of credit previously allowed. For the
20 purposes of this paragraph (6), a reduction of the basis of
21 qualified property resulting from a redetermination of the
22 purchase price shall be deemed a disposition of qualified
23 property to the extent of such reduction.

24 (7) There shall be allowed an additional credit equal
25 to 0.5% of the basis of qualified property placed in
26 service during the taxable year in a River Edge

1 Redevelopment Zone, provided such property is placed in
2 service on or after July 1, 2006, and the taxpayer's base
3 employment within Illinois has increased by 1% or more over
4 the preceding year as determined by the taxpayer's
5 employment records filed with the Illinois Department of
6 Employment Security. Taxpayers who are new to Illinois
7 shall be deemed to have met the 1% growth in base
8 employment for the first year in which they file employment
9 records with the Illinois Department of Employment
10 Security. If, in any year, the increase in base employment
11 within Illinois over the preceding year is less than 1%,
12 the additional credit shall be limited to that percentage
13 times a fraction, the numerator of which is 0.5% and the
14 denominator of which is 1%, but shall not exceed 0.5%.

15 (g) (Blank).

16 (h) Investment credit; High Impact Business.

17 (1) Subject to subsections (b) and (b-5) of Section 5.5
18 of the Illinois Enterprise Zone Act, a taxpayer shall be
19 allowed a credit against the tax imposed by subsections (a)
20 and (b) of this Section for investment in qualified
21 property which is placed in service by a Department of
22 Commerce and Economic Opportunity designated High Impact
23 Business. The credit shall be .5% of the basis for such
24 property. The credit shall not be available (i) until the
25 minimum investments in qualified property set forth in
26 subdivision (a)(3)(A) of Section 5.5 of the Illinois

1 Enterprise Zone Act have been satisfied or (ii) until the
2 time authorized in subsection (b-5) of the Illinois
3 Enterprise Zone Act for entities designated as High Impact
4 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
5 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
6 Act, and shall not be allowed to the extent that it would
7 reduce a taxpayer's liability for the tax imposed by
8 subsections (a) and (b) of this Section to below zero. The
9 credit applicable to such investments shall be taken in the
10 taxable year in which such investments have been completed.
11 The credit for additional investments beyond the minimum
12 investment by a designated high impact business authorized
13 under subdivision (a)(3)(A) of Section 5.5 of the Illinois
14 Enterprise Zone Act shall be available only in the taxable
15 year in which the property is placed in service and shall
16 not be allowed to the extent that it would reduce a
17 taxpayer's liability for the tax imposed by subsections (a)
18 and (b) of this Section to below zero. For tax years ending
19 on or after December 31, 1987, the credit shall be allowed
20 for the tax year in which the property is placed in
21 service, or, if the amount of the credit exceeds the tax
22 liability for that year, whether it exceeds the original
23 liability or the liability as later amended, such excess
24 may be carried forward and applied to the tax liability of
25 the 5 taxable years following the excess credit year. The
26 credit shall be applied to the earliest year for which

1 there is a liability. If there is credit from more than one
2 tax year that is available to offset a liability, the
3 credit accruing first in time shall be applied first.

4 Changes made in this subdivision (h) (1) by Public Act
5 88-670 restore changes made by Public Act 85-1182 and
6 reflect existing law.

7 (2) The term qualified property means property which:

8 (A) is tangible, whether new or used, including
9 buildings and structural components of buildings;

10 (B) is depreciable pursuant to Section 167 of the
11 Internal Revenue Code, except that "3-year property"
12 as defined in Section 168(c) (2) (A) of that Code is not
13 eligible for the credit provided by this subsection
14 (h);

15 (C) is acquired by purchase as defined in Section
16 179(d) of the Internal Revenue Code; and

17 (D) is not eligible for the Enterprise Zone
18 Investment Credit provided by subsection (f) of this
19 Section.

20 (3) The basis of qualified property shall be the basis
21 used to compute the depreciation deduction for federal
22 income tax purposes.

23 (4) If the basis of the property for federal income tax
24 depreciation purposes is increased after it has been placed
25 in service in a federally designated Foreign Trade Zone or
26 Sub-Zone located in Illinois by the taxpayer, the amount of

1 such increase shall be deemed property placed in service on
2 the date of such increase in basis.

3 (5) The term "placed in service" shall have the same
4 meaning as under Section 46 of the Internal Revenue Code.

5 (6) If during any taxable year ending on or before
6 December 31, 1996, any property ceases to be qualified
7 property in the hands of the taxpayer within 48 months
8 after being placed in service, or the situs of any
9 qualified property is moved outside Illinois within 48
10 months after being placed in service, the tax imposed under
11 subsections (a) and (b) of this Section for such taxable
12 year shall be increased. Such increase shall be determined
13 by (i) recomputing the investment credit which would have
14 been allowed for the year in which credit for such property
15 was originally allowed by eliminating such property from
16 such computation, and (ii) subtracting such recomputed
17 credit from the amount of credit previously allowed. For
18 the purposes of this paragraph (6), a reduction of the
19 basis of qualified property resulting from a
20 redetermination of the purchase price shall be deemed a
21 disposition of qualified property to the extent of such
22 reduction.

23 (7) Beginning with tax years ending after December 31,
24 1996, if a taxpayer qualifies for the credit under this
25 subsection (h) and thereby is granted a tax abatement and
26 the taxpayer relocates its entire facility in violation of

1 the explicit terms and length of the contract under Section
2 18-183 of the Property Tax Code, the tax imposed under
3 subsections (a) and (b) of this Section shall be increased
4 for the taxable year in which the taxpayer relocated its
5 facility by an amount equal to the amount of credit
6 received by the taxpayer under this subsection (h).

7 (i) Credit for Personal Property Tax Replacement Income
8 Tax. For tax years ending prior to December 31, 2003, a credit
9 shall be allowed against the tax imposed by subsections (a) and
10 (b) of this Section for the tax imposed by subsections (c) and
11 (d) of this Section. This credit shall be computed by
12 multiplying the tax imposed by subsections (c) and (d) of this
13 Section by a fraction, the numerator of which is base income
14 allocable to Illinois and the denominator of which is Illinois
15 base income, and further multiplying the product by the tax
16 rate imposed by subsections (a) and (b) of this Section.

17 Any credit earned on or after December 31, 1986 under this
18 subsection which is unused in the year the credit is computed
19 because it exceeds the tax liability imposed by subsections (a)
20 and (b) for that year (whether it exceeds the original
21 liability or the liability as later amended) may be carried
22 forward and applied to the tax liability imposed by subsections
23 (a) and (b) of the 5 taxable years following the excess credit
24 year, provided that no credit may be carried forward to any
25 year ending on or after December 31, 2003. This credit shall be
26 applied first to the earliest year for which there is a

1 liability. If there is a credit under this subsection from more
2 than one tax year that is available to offset a liability the
3 earliest credit arising under this subsection shall be applied
4 first.

5 If, during any taxable year ending on or after December 31,
6 1986, the tax imposed by subsections (c) and (d) of this
7 Section for which a taxpayer has claimed a credit under this
8 subsection (i) is reduced, the amount of credit for such tax
9 shall also be reduced. Such reduction shall be determined by
10 recomputing the credit to take into account the reduced tax
11 imposed by subsections (c) and (d). If any portion of the
12 reduced amount of credit has been carried to a different
13 taxable year, an amended return shall be filed for such taxable
14 year to reduce the amount of credit claimed.

15 (j) Training expense credit. Beginning with tax years
16 ending on or after December 31, 1986 and prior to December 31,
17 2003, a taxpayer shall be allowed a credit against the tax
18 imposed by subsections (a) and (b) under this Section for all
19 amounts paid or accrued, on behalf of all persons employed by
20 the taxpayer in Illinois or Illinois residents employed outside
21 of Illinois by a taxpayer, for educational or vocational
22 training in semi-technical or technical fields or semi-skilled
23 or skilled fields, which were deducted from gross income in the
24 computation of taxable income. The credit against the tax
25 imposed by subsections (a) and (b) shall be 1.6% of such
26 training expenses. For partners, shareholders of subchapter S

1 corporations, and owners of limited liability companies, if the
2 liability company is treated as a partnership for purposes of
3 federal and State income taxation, there shall be allowed a
4 credit under this subsection (j) to be determined in accordance
5 with the determination of income and distributive share of
6 income under Sections 702 and 704 and subchapter S of the
7 Internal Revenue Code.

8 Any credit allowed under this subsection which is unused in
9 the year the credit is earned may be carried forward to each of
10 the 5 taxable years following the year for which the credit is
11 first computed until it is used. This credit shall be applied
12 first to the earliest year for which there is a liability. If
13 there is a credit under this subsection from more than one tax
14 year that is available to offset a liability the earliest
15 credit arising under this subsection shall be applied first. No
16 carryforward credit may be claimed in any tax year ending on or
17 after December 31, 2003.

18 (k) Research and development credit. For tax years ending
19 after July 1, 1990 and prior to December 31, 2003, and
20 beginning again for tax years ending on or after December 31,
21 ~~2004, and ending prior to January 1, 2016,~~ a taxpayer shall be
22 allowed a credit against the tax imposed by subsections (a) and
23 (b) of this Section for increasing research activities in this
24 State. The credit allowed against the tax imposed by
25 subsections (a) and (b) shall be equal to 6 1/2% of the
26 qualifying expenditures for increasing research activities in

1 this State. For partners, shareholders of subchapter S
2 corporations, and owners of limited liability companies, if the
3 liability company is treated as a partnership for purposes of
4 federal and State income taxation, there shall be allowed a
5 credit under this subsection to be determined in accordance
6 with the determination of income and distributive share of
7 income under Sections 702 and 704 and subchapter S of the
8 Internal Revenue Code.

9 For purposes of this subsection, "qualifying expenditures"
10 means the qualifying expenditures as defined for the federal
11 credit for increasing research activities which would be
12 allowable under Section 41 of the Internal Revenue Code and
13 which are conducted in this State, "qualifying expenditures for
14 increasing research activities in this State" means the excess
15 of qualifying expenditures for the taxable year in which
16 incurred over qualifying expenditures for the base period,
17 "qualifying expenditures for the base period" means: (1) for
18 tax years ending prior to December 31, 2016, the average of the
19 qualifying expenditures for each year in the base period; and
20 (2) for for tax years ending on or after December 31, 2016, 50%
21 of the average of the qualifying expenditures for each year in
22 the base period, and "base period" means the 3 taxable years
23 immediately preceding the taxable year for which the
24 determination is being made.

25 Any credit in excess of the tax liability for the taxable
26 year may be carried forward. A taxpayer may elect to have the

1 unused credit shown on its final completed return carried over
2 as a credit against the tax liability for the following 20 ~~5~~
3 taxable years or until it has been fully used, whichever occurs
4 first; provided that no credit earned in a tax year ending
5 prior to December 31, 2003 may be carried forward to any year
6 ending on or after December 31, 2003.

7 If an unused credit is carried forward to a given year from
8 2 or more earlier years, that credit arising in the earliest
9 year will be applied first against the tax liability for the
10 given year. If a tax liability for the given year still
11 remains, the credit from the next earliest year will then be
12 applied, and so on, until all credits have been used or no tax
13 liability for the given year remains. Any remaining unused
14 credit or credits then will be carried forward to the next
15 following year in which a tax liability is incurred, except
16 that no credit can be carried forward to a year which is more
17 than 5 years after the year in which the expense for which the
18 credit is given was incurred.

19 No inference shall be drawn from this amendatory Act of the
20 91st General Assembly in construing this Section for taxable
21 years beginning before January 1, 1999.

22 It is the intent of the General Assembly that the credit
23 established under this subsection (k) shall apply for all tax
24 years ending on or after December 31, 2004, including, but not
25 limited to, tax years ending on or after January 1, 2016.

26 This subsection (k) is exempt from the provisions of

1 Section 250.

2 (1) Environmental Remediation Tax Credit.

3 (i) For tax years ending after December 31, 1997 and on
4 or before December 31, 2001, a taxpayer shall be allowed a
5 credit against the tax imposed by subsections (a) and (b)
6 of this Section for certain amounts paid for unreimbursed
7 eligible remediation costs, as specified in this
8 subsection. For purposes of this Section, "unreimbursed
9 eligible remediation costs" means costs approved by the
10 Illinois Environmental Protection Agency ("Agency") under
11 Section 58.14 of the Environmental Protection Act that were
12 paid in performing environmental remediation at a site for
13 which a No Further Remediation Letter was issued by the
14 Agency and recorded under Section 58.10 of the
15 Environmental Protection Act. The credit must be claimed
16 for the taxable year in which Agency approval of the
17 eligible remediation costs is granted. The credit is not
18 available to any taxpayer if the taxpayer or any related
19 party caused or contributed to, in any material respect, a
20 release of regulated substances on, in, or under the site
21 that was identified and addressed by the remedial action
22 pursuant to the Site Remediation Program of the
23 Environmental Protection Act. After the Pollution Control
24 Board rules are adopted pursuant to the Illinois
25 Administrative Procedure Act for the administration and
26 enforcement of Section 58.9 of the Environmental

1 Protection Act, determinations as to credit availability
2 for purposes of this Section shall be made consistent with
3 those rules. For purposes of this Section, "taxpayer"
4 includes a person whose tax attributes the taxpayer has
5 succeeded to under Section 381 of the Internal Revenue Code
6 and "related party" includes the persons disallowed a
7 deduction for losses by paragraphs (b), (c), and (f)(1) of
8 Section 267 of the Internal Revenue Code by virtue of being
9 a related taxpayer, as well as any of its partners. The
10 credit allowed against the tax imposed by subsections (a)
11 and (b) shall be equal to 25% of the unreimbursed eligible
12 remediation costs in excess of \$100,000 per site, except
13 that the \$100,000 threshold shall not apply to any site
14 contained in an enterprise zone as determined by the
15 Department of Commerce and Community Affairs (now
16 Department of Commerce and Economic Opportunity). The
17 total credit allowed shall not exceed \$40,000 per year with
18 a maximum total of \$150,000 per site. For partners and
19 shareholders of subchapter S corporations, there shall be
20 allowed a credit under this subsection to be determined in
21 accordance with the determination of income and
22 distributive share of income under Sections 702 and 704 and
23 subchapter S of the Internal Revenue Code.

24 (ii) A credit allowed under this subsection that is
25 unused in the year the credit is earned may be carried
26 forward to each of the 5 taxable years following the year

1 for which the credit is first earned until it is used. The
2 term "unused credit" does not include any amounts of
3 unreimbursed eligible remediation costs in excess of the
4 maximum credit per site authorized under paragraph (i).
5 This credit shall be applied first to the earliest year for
6 which there is a liability. If there is a credit under this
7 subsection from more than one tax year that is available to
8 offset a liability, the earliest credit arising under this
9 subsection shall be applied first. A credit allowed under
10 this subsection may be sold to a buyer as part of a sale of
11 all or part of the remediation site for which the credit
12 was granted. The purchaser of a remediation site and the
13 tax credit shall succeed to the unused credit and remaining
14 carry-forward period of the seller. To perfect the
15 transfer, the assignor shall record the transfer in the
16 chain of title for the site and provide written notice to
17 the Director of the Illinois Department of Revenue of the
18 assignor's intent to sell the remediation site and the
19 amount of the tax credit to be transferred as a portion of
20 the sale. In no event may a credit be transferred to any
21 taxpayer if the taxpayer or a related party would not be
22 eligible under the provisions of subsection (i).

23 (iii) For purposes of this Section, the term "site"
24 shall have the same meaning as under Section 58.2 of the
25 Environmental Protection Act.

26 (m) Education expense credit. Beginning with tax years

1 ending after December 31, 1999, a taxpayer who is the custodian
2 of one or more qualifying pupils shall be allowed a credit
3 against the tax imposed by subsections (a) and (b) of this
4 Section for qualified education expenses incurred on behalf of
5 the qualifying pupils. The credit shall be equal to 25% of
6 qualified education expenses, but in no event may the total
7 credit under this subsection claimed by a family that is the
8 custodian of qualifying pupils exceed \$500. In no event shall a
9 credit under this subsection reduce the taxpayer's liability
10 under this Act to less than zero. This subsection is exempt
11 from the provisions of Section 250 of this Act.

12 For purposes of this subsection:

13 "Qualifying pupils" means individuals who (i) are
14 residents of the State of Illinois, (ii) are under the age of
15 21 at the close of the school year for which a credit is
16 sought, and (iii) during the school year for which a credit is
17 sought were full-time pupils enrolled in a kindergarten through
18 twelfth grade education program at any school, as defined in
19 this subsection.

20 "Qualified education expense" means the amount incurred on
21 behalf of a qualifying pupil in excess of \$250 for tuition,
22 book fees, and lab fees at the school in which the pupil is
23 enrolled during the regular school year.

24 "School" means any public or nonpublic elementary or
25 secondary school in Illinois that is in compliance with Title
26 VI of the Civil Rights Act of 1964 and attendance at which

1 satisfies the requirements of Section 26-1 of the School Code,
2 except that nothing shall be construed to require a child to
3 attend any particular public or nonpublic school to qualify for
4 the credit under this Section.

5 "Custodian" means, with respect to qualifying pupils, an
6 Illinois resident who is a parent, the parents, a legal
7 guardian, or the legal guardians of the qualifying pupils.

8 (n) River Edge Redevelopment Zone site remediation tax
9 credit.

10 (i) For tax years ending on or after December 31, 2006,
11 a taxpayer shall be allowed a credit against the tax
12 imposed by subsections (a) and (b) of this Section for
13 certain amounts paid for unreimbursed eligible remediation
14 costs, as specified in this subsection. For purposes of
15 this Section, "unreimbursed eligible remediation costs"
16 means costs approved by the Illinois Environmental
17 Protection Agency ("Agency") under Section 58.14a of the
18 Environmental Protection Act that were paid in performing
19 environmental remediation at a site within a River Edge
20 Redevelopment Zone for which a No Further Remediation
21 Letter was issued by the Agency and recorded under Section
22 58.10 of the Environmental Protection Act. The credit must
23 be claimed for the taxable year in which Agency approval of
24 the eligible remediation costs is granted. The credit is
25 not available to any taxpayer if the taxpayer or any
26 related party caused or contributed to, in any material

1 respect, a release of regulated substances on, in, or under
2 the site that was identified and addressed by the remedial
3 action pursuant to the Site Remediation Program of the
4 Environmental Protection Act. Determinations as to credit
5 availability for purposes of this Section shall be made
6 consistent with rules adopted by the Pollution Control
7 Board pursuant to the Illinois Administrative Procedure
8 Act for the administration and enforcement of Section 58.9
9 of the Environmental Protection Act. For purposes of this
10 Section, "taxpayer" includes a person whose tax attributes
11 the taxpayer has succeeded to under Section 381 of the
12 Internal Revenue Code and "related party" includes the
13 persons disallowed a deduction for losses by paragraphs
14 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
15 Code by virtue of being a related taxpayer, as well as any
16 of its partners. The credit allowed against the tax imposed
17 by subsections (a) and (b) shall be equal to 25% of the
18 unreimbursed eligible remediation costs in excess of
19 \$100,000 per site.

20 (ii) A credit allowed under this subsection that is
21 unused in the year the credit is earned may be carried
22 forward to each of the 5 taxable years following the year
23 for which the credit is first earned until it is used. This
24 credit shall be applied first to the earliest year for
25 which there is a liability. If there is a credit under this
26 subsection from more than one tax year that is available to

1 offset a liability, the earliest credit arising under this
2 subsection shall be applied first. A credit allowed under
3 this subsection may be sold to a buyer as part of a sale of
4 all or part of the remediation site for which the credit
5 was granted. The purchaser of a remediation site and the
6 tax credit shall succeed to the unused credit and remaining
7 carry-forward period of the seller. To perfect the
8 transfer, the assignor shall record the transfer in the
9 chain of title for the site and provide written notice to
10 the Director of the Illinois Department of Revenue of the
11 assignor's intent to sell the remediation site and the
12 amount of the tax credit to be transferred as a portion of
13 the sale. In no event may a credit be transferred to any
14 taxpayer if the taxpayer or a related party would not be
15 eligible under the provisions of subsection (i).

16 (iii) For purposes of this Section, the term "site"
17 shall have the same meaning as under Section 58.2 of the
18 Environmental Protection Act.

19 (o) For each of taxable years during the Compassionate Use
20 of Medical Cannabis Pilot Program, a surcharge is imposed on
21 all taxpayers on income arising from the sale or exchange of
22 capital assets, depreciable business property, real property
23 used in the trade or business, and Section 197 intangibles of
24 an organization registrant under the Compassionate Use of
25 Medical Cannabis Pilot Program Act. The amount of the surcharge
26 is equal to the amount of federal income tax liability for the

1 taxable year attributable to those sales and exchanges. The
2 surcharge imposed does not apply if:

3 (1) the medical cannabis cultivation center
4 registration, medical cannabis dispensary registration, or
5 the property of a registration is transferred as a result
6 of any of the following:

7 (A) bankruptcy, a receivership, or a debt
8 adjustment initiated by or against the initial
9 registration or the substantial owners of the initial
10 registration;

11 (B) cancellation, revocation, or termination of
12 any registration by the Illinois Department of Public
13 Health;

14 (C) a determination by the Illinois Department of
15 Public Health that transfer of the registration is in
16 the best interests of Illinois qualifying patients as
17 defined by the Compassionate Use of Medical Cannabis
18 Pilot Program Act;

19 (D) the death of an owner of the equity interest in
20 a registrant;

21 (E) the acquisition of a controlling interest in
22 the stock or substantially all of the assets of a
23 publicly traded company;

24 (F) a transfer by a parent company to a wholly
25 owned subsidiary; or

26 (G) the transfer or sale to or by one person to

1 another person where both persons were initial owners
2 of the registration when the registration was issued;
3 or

4 (2) the cannabis cultivation center registration,
5 medical cannabis dispensary registration, or the
6 controlling interest in a registrant's property is
7 transferred in a transaction to lineal descendants in which
8 no gain or loss is recognized or as a result of a
9 transaction in accordance with Section 351 of the Internal
10 Revenue Code in which no gain or loss is recognized.

11 (Source: P.A. 97-2, eff. 5-6-11; 97-636, eff. 6-1-12; 97-905,
12 eff. 8-7-12; 98-109, eff. 7-25-13; 98-122, eff. 1-1-14; 98-756,
13 eff. 7-16-14.)

14 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

15 Sec. 203. Base income defined.

16 (a) Individuals.

17 (1) In general. In the case of an individual, base
18 income means an amount equal to the taxpayer's adjusted
19 gross income for the taxable year as modified by paragraph
20 (2).

21 (2) Modifications. The adjusted gross income referred
22 to in paragraph (1) shall be modified by adding thereto the
23 sum of the following amounts:

24 (A) An amount equal to all amounts paid or accrued
25 to the taxpayer as interest or dividends during the

1 taxable year to the extent excluded from gross income
2 in the computation of adjusted gross income, except
3 stock dividends of qualified public utilities
4 described in Section 305(e) of the Internal Revenue
5 Code;

6 (B) An amount equal to the amount of tax imposed by
7 this Act to the extent deducted from gross income in
8 the computation of adjusted gross income for the
9 taxable year;

10 (C) An amount equal to the amount received during
11 the taxable year as a recovery or refund of real
12 property taxes paid with respect to the taxpayer's
13 principal residence under the Revenue Act of 1939 and
14 for which a deduction was previously taken under
15 subparagraph (L) of this paragraph (2) prior to July 1,
16 1991, the retrospective application date of Article 4
17 of Public Act 87-17. In the case of multi-unit or
18 multi-use structures and farm dwellings, the taxes on
19 the taxpayer's principal residence shall be that
20 portion of the total taxes for the entire property
21 which is attributable to such principal residence;

22 (D) An amount equal to the amount of the capital
23 gain deduction allowable under the Internal Revenue
24 Code, to the extent deducted from gross income in the
25 computation of adjusted gross income;

26 (D-5) An amount, to the extent not included in

1 adjusted gross income, equal to the amount of money
2 withdrawn by the taxpayer in the taxable year from a
3 medical care savings account and the interest earned on
4 the account in the taxable year of a withdrawal
5 pursuant to subsection (b) of Section 20 of the Medical
6 Care Savings Account Act or subsection (b) of Section
7 20 of the Medical Care Savings Account Act of 2000;

8 (D-10) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation costs
10 that the individual deducted in computing adjusted
11 gross income and for which the individual claims a
12 credit under subsection (l) of Section 201;

13 (D-15) For taxable years 2001 and thereafter, an
14 amount equal to the bonus depreciation deduction taken
15 on the taxpayer's federal income tax return for the
16 taxable year under subsection (k) of Section 168 of the
17 Internal Revenue Code;

18 (D-16) If the taxpayer sells, transfers, abandons,
19 or otherwise disposes of property for which the
20 taxpayer was required in any taxable year to make an
21 addition modification under subparagraph (D-15), then
22 an amount equal to the aggregate amount of the
23 deductions taken in all taxable years under
24 subparagraph (Z) with respect to that property.

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was allowed in any taxable year to make a subtraction
4 modification under subparagraph (Z), then an amount
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition
7 modification under this subparagraph only once with
8 respect to any one piece of property;

9 (D-17) An amount equal to the amount otherwise
10 allowed as a deduction in computing base income for
11 interest paid, accrued, or incurred, directly or
12 indirectly, (i) for taxable years ending on or after
13 December 31, 2004, to a foreign person who would be a
14 member of the same unitary business group but for the
15 fact that foreign person's business activity outside
16 the United States is 80% or more of the foreign
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304. The addition modification
25 required by this subparagraph shall be reduced to the
26 extent that dividends were included in base income of

1 the unitary group for the same taxable year and
2 received by the taxpayer or by a member of the
3 taxpayer's unitary business group (including amounts
4 included in gross income under Sections 951 through 964
5 of the Internal Revenue Code and amounts included in
6 gross income under Section 78 of the Internal Revenue
7 Code) with respect to the stock of the same person to
8 whom the interest was paid, accrued, or incurred.

9 This paragraph shall not apply to the following:

10 (i) an item of interest paid, accrued, or
11 incurred, directly or indirectly, to a person who
12 is subject in a foreign country or state, other
13 than a state which requires mandatory unitary
14 reporting, to a tax on or measured by net income
15 with respect to such interest; or

16 (ii) an item of interest paid, accrued, or
17 incurred, directly or indirectly, to a person if
18 the taxpayer can establish, based on a
19 preponderance of the evidence, both of the
20 following:

21 (a) the person, during the same taxable
22 year, paid, accrued, or incurred, the interest
23 to a person that is not a related member, and

24 (b) the transaction giving rise to the
25 interest expense between the taxpayer and the
26 person did not have as a principal purpose the

1 avoidance of Illinois income tax, and is paid
2 pursuant to a contract or agreement that
3 reflects an arm's-length interest rate and
4 terms; or

5 (iii) the taxpayer can establish, based on
6 clear and convincing evidence, that the interest
7 paid, accrued, or incurred relates to a contract or
8 agreement entered into at arm's-length rates and
9 terms and the principal purpose for the payment is
10 not federal or Illinois tax avoidance; or

11 (iv) an item of interest paid, accrued, or
12 incurred, directly or indirectly, to a person if
13 the taxpayer establishes by clear and convincing
14 evidence that the adjustments are unreasonable; or
15 if the taxpayer and the Director agree in writing
16 to the application or use of an alternative method
17 of apportionment under Section 304(f).

18 Nothing in this subsection shall preclude the
19 Director from making any other adjustment
20 otherwise allowed under Section 404 of this Act for
21 any tax year beginning after the effective date of
22 this amendment provided such adjustment is made
23 pursuant to regulation adopted by the Department
24 and such regulations provide methods and standards
25 by which the Department will utilize its authority
26 under Section 404 of this Act;

1 (D-18) An amount equal to the amount of intangible
2 expenses and costs otherwise allowed as a deduction in
3 computing base income, and that were paid, accrued, or
4 incurred, directly or indirectly, (i) for taxable
5 years ending on or after December 31, 2004, to a
6 foreign person who would be a member of the same
7 unitary business group but for the fact that the
8 foreign person's business activity outside the United
9 States is 80% or more of that person's total business
10 activity and (ii) for taxable years ending on or after
11 December 31, 2008, to a person who would be a member of
12 the same unitary business group but for the fact that
13 the person is prohibited under Section 1501(a)(27)
14 from being included in the unitary business group
15 because he or she is ordinarily required to apportion
16 business income under different subsections of Section
17 304. The addition modification required by this
18 subparagraph shall be reduced to the extent that
19 dividends were included in base income of the unitary
20 group for the same taxable year and received by the
21 taxpayer or by a member of the taxpayer's unitary
22 business group (including amounts included in gross
23 income under Sections 951 through 964 of the Internal
24 Revenue Code and amounts included in gross income under
25 Section 78 of the Internal Revenue Code) with respect
26 to the stock of the same person to whom the intangible

1 expenses and costs were directly or indirectly paid,
2 incurred, or accrued. The preceding sentence does not
3 apply to the extent that the same dividends caused a
4 reduction to the addition modification required under
5 Section 203(a)(2)(D-17) of this Act. As used in this
6 subparagraph, the term "intangible expenses and costs"
7 includes (1) expenses, losses, and costs for, or
8 related to, the direct or indirect acquisition, use,
9 maintenance or management, ownership, sale, exchange,
10 or any other disposition of intangible property; (2)
11 losses incurred, directly or indirectly, from
12 factoring transactions or discounting transactions;
13 (3) royalty, patent, technical, and copyright fees;
14 (4) licensing fees; and (5) other similar expenses and
15 costs. For purposes of this subparagraph, "intangible
16 property" includes patents, patent applications, trade
17 names, trademarks, service marks, copyrights, mask
18 works, trade secrets, and similar types of intangible
19 assets.

20 This paragraph shall not apply to the following:

21 (i) any item of intangible expenses or costs
22 paid, accrued, or incurred, directly or
23 indirectly, from a transaction with a person who is
24 subject in a foreign country or state, other than a
25 state which requires mandatory unitary reporting,
26 to a tax on or measured by net income with respect

1 to such item; or

2 (ii) any item of intangible expense or cost
3 paid, accrued, or incurred, directly or
4 indirectly, if the taxpayer can establish, based
5 on a preponderance of the evidence, both of the
6 following:

7 (a) the person during the same taxable
8 year paid, accrued, or incurred, the
9 intangible expense or cost to a person that is
10 not a related member, and

11 (b) the transaction giving rise to the
12 intangible expense or cost between the
13 taxpayer and the person did not have as a
14 principal purpose the avoidance of Illinois
15 income tax, and is paid pursuant to a contract
16 or agreement that reflects arm's-length terms;
17 or

18 (iii) any item of intangible expense or cost
19 paid, accrued, or incurred, directly or
20 indirectly, from a transaction with a person if the
21 taxpayer establishes by clear and convincing
22 evidence, that the adjustments are unreasonable;
23 or if the taxpayer and the Director agree in
24 writing to the application or use of an alternative
25 method of apportionment under Section 304(f);

26 Nothing in this subsection shall preclude the

1 Director from making any other adjustment
2 otherwise allowed under Section 404 of this Act for
3 any tax year beginning after the effective date of
4 this amendment provided such adjustment is made
5 pursuant to regulation adopted by the Department
6 and such regulations provide methods and standards
7 by which the Department will utilize its authority
8 under Section 404 of this Act;

9 (D-19) For taxable years ending on or after
10 December 31, 2008, an amount equal to the amount of
11 insurance premium expenses and costs otherwise allowed
12 as a deduction in computing base income, and that were
13 paid, accrued, or incurred, directly or indirectly, to
14 a person who would be a member of the same unitary
15 business group but for the fact that the person is
16 prohibited under Section 1501(a)(27) from being
17 included in the unitary business group because he or
18 she is ordinarily required to apportion business
19 income under different subsections of Section 304. The
20 addition modification required by this subparagraph
21 shall be reduced to the extent that dividends were
22 included in base income of the unitary group for the
23 same taxable year and received by the taxpayer or by a
24 member of the taxpayer's unitary business group
25 (including amounts included in gross income under
26 Sections 951 through 964 of the Internal Revenue Code

1 and amounts included in gross income under Section 78
2 of the Internal Revenue Code) with respect to the stock
3 of the same person to whom the premiums and costs were
4 directly or indirectly paid, incurred, or accrued. The
5 preceding sentence does not apply to the extent that
6 the same dividends caused a reduction to the addition
7 modification required under Section 203(a)(2)(D-17) or
8 Section 203(a)(2)(D-18) of this Act.

9 (D-20) For taxable years beginning on or after
10 January 1, 2002 and ending on or before December 31,
11 2006, in the case of a distribution from a qualified
12 tuition program under Section 529 of the Internal
13 Revenue Code, other than (i) a distribution from a
14 College Savings Pool created under Section 16.5 of the
15 State Treasurer Act or (ii) a distribution from the
16 Illinois Prepaid Tuition Trust Fund, an amount equal to
17 the amount excluded from gross income under Section
18 529(c)(3)(B). For taxable years beginning on or after
19 January 1, 2007, in the case of a distribution from a
20 qualified tuition program under Section 529 of the
21 Internal Revenue Code, other than (i) a distribution
22 from a College Savings Pool created under Section 16.5
23 of the State Treasurer Act, (ii) a distribution from
24 the Illinois Prepaid Tuition Trust Fund, or (iii) a
25 distribution from a qualified tuition program under
26 Section 529 of the Internal Revenue Code that (I)

1 adopts and determines that its offering materials
2 comply with the College Savings Plans Network's
3 disclosure principles and (II) has made reasonable
4 efforts to inform in-state residents of the existence
5 of in-state qualified tuition programs by informing
6 Illinois residents directly and, where applicable, to
7 inform financial intermediaries distributing the
8 program to inform in-state residents of the existence
9 of in-state qualified tuition programs at least
10 annually, an amount equal to the amount excluded from
11 gross income under Section 529(c)(3)(B).

12 For the purposes of this subparagraph (D-20), a
13 qualified tuition program has made reasonable efforts
14 if it makes disclosures (which may use the term
15 "in-state program" or "in-state plan" and need not
16 specifically refer to Illinois or its qualified
17 programs by name) (i) directly to prospective
18 participants in its offering materials or makes a
19 public disclosure, such as a website posting; and (ii)
20 where applicable, to intermediaries selling the
21 out-of-state program in the same manner that the
22 out-of-state program distributes its offering
23 materials;

24 (D-21) For taxable years beginning on or after
25 January 1, 2007, in the case of transfer of moneys from
26 a qualified tuition program under Section 529 of the

1 Internal Revenue Code that is administered by the State
2 to an out-of-state program, an amount equal to the
3 amount of moneys previously deducted from base income
4 under subsection (a) (2) (Y) of this Section;

5 (D-22) For taxable years beginning on or after
6 January 1, 2009, in the case of a nonqualified
7 withdrawal or refund of moneys from a qualified tuition
8 program under Section 529 of the Internal Revenue Code
9 administered by the State that is not used for
10 qualified expenses at an eligible education
11 institution, an amount equal to the contribution
12 component of the nonqualified withdrawal or refund
13 that was previously deducted from base income under
14 subsection (a) (2) (y) of this Section, provided that
15 the withdrawal or refund did not result from the
16 beneficiary's death or disability;

17 (D-23) An amount equal to the credit allowable to
18 the taxpayer under Section 218(a) of this Act,
19 determined without regard to Section 218(c) of this
20 Act;

21 (D-24) For taxable years ending on or after
22 December 31, 2016, an amount equal to the deduction
23 allowed under Section 199 of the Internal Revenue Code
24 for the taxable year;

25 and by deducting from the total so obtained the sum of the
26 following amounts:

1 (E) For taxable years ending before December 31,
2 2001, any amount included in such total in respect of
3 any compensation (including but not limited to any
4 compensation paid or accrued to a serviceman while a
5 prisoner of war or missing in action) paid to a
6 resident by reason of being on active duty in the Armed
7 Forces of the United States and in respect of any
8 compensation paid or accrued to a resident who as a
9 governmental employee was a prisoner of war or missing
10 in action, and in respect of any compensation paid to a
11 resident in 1971 or thereafter for annual training
12 performed pursuant to Sections 502 and 503, Title 32,
13 United States Code as a member of the Illinois National
14 Guard or, beginning with taxable years ending on or
15 after December 31, 2007, the National Guard of any
16 other state. For taxable years ending on or after
17 December 31, 2001, any amount included in such total in
18 respect of any compensation (including but not limited
19 to any compensation paid or accrued to a serviceman
20 while a prisoner of war or missing in action) paid to a
21 resident by reason of being a member of any component
22 of the Armed Forces of the United States and in respect
23 of any compensation paid or accrued to a resident who
24 as a governmental employee was a prisoner of war or
25 missing in action, and in respect of any compensation
26 paid to a resident in 2001 or thereafter by reason of

1 being a member of the Illinois National Guard or,
2 beginning with taxable years ending on or after
3 December 31, 2007, the National Guard of any other
4 state. The provisions of this subparagraph (E) are
5 exempt from the provisions of Section 250;

6 (F) An amount equal to all amounts included in such
7 total pursuant to the provisions of Sections 402(a),
8 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
9 Internal Revenue Code, or included in such total as
10 distributions under the provisions of any retirement
11 or disability plan for employees of any governmental
12 agency or unit, or retirement payments to retired
13 partners, which payments are excluded in computing net
14 earnings from self employment by Section 1402 of the
15 Internal Revenue Code and regulations adopted pursuant
16 thereto;

17 (G) The valuation limitation amount;

18 (H) An amount equal to the amount of any tax
19 imposed by this Act which was refunded to the taxpayer
20 and included in such total for the taxable year;

21 (I) An amount equal to all amounts included in such
22 total pursuant to the provisions of Section 111 of the
23 Internal Revenue Code as a recovery of items previously
24 deducted from adjusted gross income in the computation
25 of taxable income;

26 (J) An amount equal to those dividends included in

1 such total which were paid by a corporation which
2 conducts business operations in a River Edge
3 Redevelopment Zone or zones created under the River
4 Edge Redevelopment Zone Act, and conducts
5 substantially all of its operations in a River Edge
6 Redevelopment Zone or zones. This subparagraph (J) is
7 exempt from the provisions of Section 250;

8 (K) An amount equal to those dividends included in
9 such total that were paid by a corporation that
10 conducts business operations in a federally designated
11 Foreign Trade Zone or Sub-Zone and that is designated a
12 High Impact Business located in Illinois; provided
13 that dividends eligible for the deduction provided in
14 subparagraph (J) of paragraph (2) of this subsection
15 shall not be eligible for the deduction provided under
16 this subparagraph (K);

17 (L) For taxable years ending after December 31,
18 1983, an amount equal to all social security benefits
19 and railroad retirement benefits included in such
20 total pursuant to Sections 72(r) and 86 of the Internal
21 Revenue Code;

22 (M) With the exception of any amounts subtracted
23 under subparagraph (N), an amount equal to the sum of
24 all amounts disallowed as deductions by (i) Sections
25 171(a) (2), and 265(2) of the Internal Revenue Code,
26 and all amounts of expenses allocable to interest and

1 disallowed as deductions by Section 265(1) of the
2 Internal Revenue Code; and (ii) for taxable years
3 ending on or after August 13, 1999, Sections 171(a)(2),
4 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
5 Code, plus, for taxable years ending on or after
6 December 31, 2011, Section 45G(e)(3) of the Internal
7 Revenue Code and, for taxable years ending on or after
8 December 31, 2008, any amount included in gross income
9 under Section 87 of the Internal Revenue Code; the
10 provisions of this subparagraph are exempt from the
11 provisions of Section 250;

12 (N) An amount equal to all amounts included in such
13 total which are exempt from taxation by this State
14 either by reason of its statutes or Constitution or by
15 reason of the Constitution, treaties or statutes of the
16 United States; provided that, in the case of any
17 statute of this State that exempts income derived from
18 bonds or other obligations from the tax imposed under
19 this Act, the amount exempted shall be the interest net
20 of bond premium amortization;

21 (O) An amount equal to any contribution made to a
22 job training project established pursuant to the Tax
23 Increment Allocation Redevelopment Act;

24 (P) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code or of any itemized deduction
3 taken from adjusted gross income in the computation of
4 taxable income for restoration of substantial amounts
5 held under claim of right for the taxable year;

6 (Q) An amount equal to any amounts included in such
7 total, received by the taxpayer as an acceleration in
8 the payment of life, endowment or annuity benefits in
9 advance of the time they would otherwise be payable as
10 an indemnity for a terminal illness;

11 (R) An amount equal to the amount of any federal or
12 State bonus paid to veterans of the Persian Gulf War;

13 (S) An amount, to the extent included in adjusted
14 gross income, equal to the amount of a contribution
15 made in the taxable year on behalf of the taxpayer to a
16 medical care savings account established under the
17 Medical Care Savings Account Act or the Medical Care
18 Savings Account Act of 2000 to the extent the
19 contribution is accepted by the account administrator
20 as provided in that Act;

21 (T) An amount, to the extent included in adjusted
22 gross income, equal to the amount of interest earned in
23 the taxable year on a medical care savings account
24 established under the Medical Care Savings Account Act
25 or the Medical Care Savings Account Act of 2000 on
26 behalf of the taxpayer, other than interest added

1 pursuant to item (D-5) of this paragraph (2);

2 (U) For one taxable year beginning on or after
3 January 1, 1994, an amount equal to the total amount of
4 tax imposed and paid under subsections (a) and (b) of
5 Section 201 of this Act on grant amounts received by
6 the taxpayer under the Nursing Home Grant Assistance
7 Act during the taxpayer's taxable years 1992 and 1993;

8 (V) Beginning with tax years ending on or after
9 December 31, 1995 and ending with tax years ending on
10 or before December 31, 2004, an amount equal to the
11 amount paid by a taxpayer who is a self-employed
12 taxpayer, a partner of a partnership, or a shareholder
13 in a Subchapter S corporation for health insurance or
14 long-term care insurance for that taxpayer or that
15 taxpayer's spouse or dependents, to the extent that the
16 amount paid for that health insurance or long-term care
17 insurance may be deducted under Section 213 of the
18 Internal Revenue Code, has not been deducted on the
19 federal income tax return of the taxpayer, and does not
20 exceed the taxable income attributable to that
21 taxpayer's income, self-employment income, or
22 Subchapter S corporation income; except that no
23 deduction shall be allowed under this item (V) if the
24 taxpayer is eligible to participate in any health
25 insurance or long-term care insurance plan of an
26 employer of the taxpayer or the taxpayer's spouse. The

1 amount of the health insurance and long-term care
2 insurance subtracted under this item (V) shall be
3 determined by multiplying total health insurance and
4 long-term care insurance premiums paid by the taxpayer
5 times a number that represents the fractional
6 percentage of eligible medical expenses under Section
7 213 of the Internal Revenue Code of 1986 not actually
8 deducted on the taxpayer's federal income tax return;

9 (W) For taxable years beginning on or after January
10 1, 1998, all amounts included in the taxpayer's federal
11 gross income in the taxable year from amounts converted
12 from a regular IRA to a Roth IRA. This paragraph is
13 exempt from the provisions of Section 250;

14 (X) For taxable year 1999 and thereafter, an amount
15 equal to the amount of any (i) distributions, to the
16 extent includible in gross income for federal income
17 tax purposes, made to the taxpayer because of his or
18 her status as a victim of persecution for racial or
19 religious reasons by Nazi Germany or any other Axis
20 regime or as an heir of the victim and (ii) items of
21 income, to the extent includible in gross income for
22 federal income tax purposes, attributable to, derived
23 from or in any way related to assets stolen from,
24 hidden from, or otherwise lost to a victim of
25 persecution for racial or religious reasons by Nazi
26 Germany or any other Axis regime immediately prior to,

1 during, and immediately after World War II, including,
2 but not limited to, interest on the proceeds receivable
3 as insurance under policies issued to a victim of
4 persecution for racial or religious reasons by Nazi
5 Germany or any other Axis regime by European insurance
6 companies immediately prior to and during World War II;
7 provided, however, this subtraction from federal
8 adjusted gross income does not apply to assets acquired
9 with such assets or with the proceeds from the sale of
10 such assets; provided, further, this paragraph shall
11 only apply to a taxpayer who was the first recipient of
12 such assets after their recovery and who is a victim of
13 persecution for racial or religious reasons by Nazi
14 Germany or any other Axis regime or as an heir of the
15 victim. The amount of and the eligibility for any
16 public assistance, benefit, or similar entitlement is
17 not affected by the inclusion of items (i) and (ii) of
18 this paragraph in gross income for federal income tax
19 purposes. This paragraph is exempt from the provisions
20 of Section 250;

21 (Y) For taxable years beginning on or after January
22 1, 2002 and ending on or before December 31, 2004,
23 moneys contributed in the taxable year to a College
24 Savings Pool account under Section 16.5 of the State
25 Treasurer Act, except that amounts excluded from gross
26 income under Section 529(c)(3)(C)(i) of the Internal

1 Revenue Code shall not be considered moneys
2 contributed under this subparagraph (Y). For taxable
3 years beginning on or after January 1, 2005, a maximum
4 of \$10,000 contributed in the taxable year to (i) a
5 College Savings Pool account under Section 16.5 of the
6 State Treasurer Act or (ii) the Illinois Prepaid
7 Tuition Trust Fund, except that amounts excluded from
8 gross income under Section 529(c)(3)(C)(i) of the
9 Internal Revenue Code shall not be considered moneys
10 contributed under this subparagraph (Y). For purposes
11 of this subparagraph, contributions made by an
12 employer on behalf of an employee, or matching
13 contributions made by an employee, shall be treated as
14 made by the employee. This subparagraph (Y) is exempt
15 from the provisions of Section 250;

16 (Z) For taxable years 2001 and thereafter, for the
17 taxable year in which the bonus depreciation deduction
18 is taken on the taxpayer's federal income tax return
19 under subsection (k) of Section 168 of the Internal
20 Revenue Code and for each applicable taxable year
21 thereafter, an amount equal to "x", where:

22 (1) "y" equals the amount of the depreciation
23 deduction taken for the taxable year on the
24 taxpayer's federal income tax return on property
25 for which the bonus depreciation deduction was
26 taken in any year under subsection (k) of Section

1 168 of the Internal Revenue Code, but not including
2 the bonus depreciation deduction;

3 (2) for taxable years ending on or before
4 December 31, 2005, "x" equals "y" multiplied by 30
5 and then divided by 70 (or "y" multiplied by
6 0.429); and

7 (3) for taxable years ending after December
8 31, 2005:

9 (i) for property on which a bonus
10 depreciation deduction of 30% of the adjusted
11 basis was taken, "x" equals "y" multiplied by
12 30 and then divided by 70 (or "y" multiplied by
13 0.429); and

14 (ii) for property on which a bonus
15 depreciation deduction of 50% of the adjusted
16 basis was taken, "x" equals "y" multiplied by
17 1.0.

18 The aggregate amount deducted under this
19 subparagraph in all taxable years for any one piece of
20 property may not exceed the amount of the bonus
21 depreciation deduction taken on that property on the
22 taxpayer's federal income tax return under subsection
23 (k) of Section 168 of the Internal Revenue Code. This
24 subparagraph (Z) is exempt from the provisions of
25 Section 250;

26 (AA) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the
2 taxpayer was required in any taxable year to make an
3 addition modification under subparagraph (D-15), then
4 an amount equal to that addition modification.

5 If the taxpayer continues to own property through
6 the last day of the last tax year for which the
7 taxpayer may claim a depreciation deduction for
8 federal income tax purposes and for which the taxpayer
9 was required in any taxable year to make an addition
10 modification under subparagraph (D-15), then an amount
11 equal to that addition modification.

12 The taxpayer is allowed to take the deduction under
13 this subparagraph only once with respect to any one
14 piece of property.

15 This subparagraph (AA) is exempt from the
16 provisions of Section 250;

17 (BB) Any amount included in adjusted gross income,
18 other than salary, received by a driver in a
19 ridesharing arrangement using a motor vehicle;

20 (CC) The amount of (i) any interest income (net of
21 the deductions allocable thereto) taken into account
22 for the taxable year with respect to a transaction with
23 a taxpayer that is required to make an addition
24 modification with respect to such transaction under
25 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
26 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed

1 the amount of that addition modification, and (ii) any
2 income from intangible property (net of the deductions
3 allocable thereto) taken into account for the taxable
4 year with respect to a transaction with a taxpayer that
5 is required to make an addition modification with
6 respect to such transaction under Section
7 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
8 203(d)(2)(D-8), but not to exceed the amount of that
9 addition modification. This subparagraph (CC) is
10 exempt from the provisions of Section 250;

11 (DD) An amount equal to the interest income taken
12 into account for the taxable year (net of the
13 deductions allocable thereto) with respect to
14 transactions with (i) a foreign person who would be a
15 member of the taxpayer's unitary business group but for
16 the fact that the foreign person's business activity
17 outside the United States is 80% or more of that
18 person's total business activity and (ii) for taxable
19 years ending on or after December 31, 2008, to a person
20 who would be a member of the same unitary business
21 group but for the fact that the person is prohibited
22 under Section 1501(a)(27) from being included in the
23 unitary business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304, but not to exceed the
26 addition modification required to be made for the same

1 taxable year under Section 203(a)(2)(D-17) for
2 interest paid, accrued, or incurred, directly or
3 indirectly, to the same person. This subparagraph (DD)
4 is exempt from the provisions of Section 250;

5 (EE) An amount equal to the income from intangible
6 property taken into account for the taxable year (net
7 of the deductions allocable thereto) with respect to
8 transactions with (i) a foreign person who would be a
9 member of the taxpayer's unitary business group but for
10 the fact that the foreign person's business activity
11 outside the United States is 80% or more of that
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(a)(2)(D-18) for
22 intangible expenses and costs paid, accrued, or
23 incurred, directly or indirectly, to the same foreign
24 person. This subparagraph (EE) is exempt from the
25 provisions of Section 250;

26 (FF) An amount equal to any amount awarded to the

1 taxpayer during the taxable year by the Court of Claims
2 under subsection (c) of Section 8 of the Court of
3 Claims Act for time unjustly served in a State prison.
4 This subparagraph (FF) is exempt from the provisions of
5 Section 250; and

6 (GG) For taxable years ending on or after December
7 31, 2011, in the case of a taxpayer who was required to
8 add back any insurance premiums under Section
9 203(a)(2)(D-19), such taxpayer may elect to subtract
10 that part of a reimbursement received from the
11 insurance company equal to the amount of the expense or
12 loss (including expenses incurred by the insurance
13 company) that would have been taken into account as a
14 deduction for federal income tax purposes if the
15 expense or loss had been uninsured. If a taxpayer makes
16 the election provided for by this subparagraph (GG),
17 the insurer to which the premiums were paid must add
18 back to income the amount subtracted by the taxpayer
19 pursuant to this subparagraph (GG). This subparagraph
20 (GG) is exempt from the provisions of Section 250.

21 (b) Corporations.

22 (1) In general. In the case of a corporation, base
23 income means an amount equal to the taxpayer's taxable
24 income for the taxable year as modified by paragraph (2).

25 (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum
2 of the following amounts:

3 (A) An amount equal to all amounts paid or accrued
4 to the taxpayer as interest and all distributions
5 received from regulated investment companies during
6 the taxable year to the extent excluded from gross
7 income in the computation of taxable income;

8 (B) An amount equal to the amount of tax imposed by
9 this Act to the extent deducted from gross income in
10 the computation of taxable income for the taxable year;

11 (C) In the case of a regulated investment company,
12 an amount equal to the excess of (i) the net long-term
13 capital gain for the taxable year, over (ii) the amount
14 of the capital gain dividends designated as such in
15 accordance with Section 852(b)(3)(C) of the Internal
16 Revenue Code and any amount designated under Section
17 852(b)(3)(D) of the Internal Revenue Code,
18 attributable to the taxable year (this amendatory Act
19 of 1995 (Public Act 89-89) is declarative of existing
20 law and is not a new enactment);

21 (D) The amount of any net operating loss deduction
22 taken in arriving at taxable income, other than a net
23 operating loss carried forward from a taxable year
24 ending prior to December 31, 1986;

25 (E) For taxable years in which a net operating loss
26 carryback or carryforward from a taxable year ending

1 prior to December 31, 1986 is an element of taxable
2 income under paragraph (1) of subsection (e) or
3 subparagraph (E) of paragraph (2) of subsection (e),
4 the amount by which addition modifications other than
5 those provided by this subparagraph (E) exceeded
6 subtraction modifications in such earlier taxable
7 year, with the following limitations applied in the
8 order that they are listed:

9 (i) the addition modification relating to the
10 net operating loss carried back or forward to the
11 taxable year from any taxable year ending prior to
12 December 31, 1986 shall be reduced by the amount of
13 addition modification under this subparagraph (E)
14 which related to that net operating loss and which
15 was taken into account in calculating the base
16 income of an earlier taxable year, and

17 (ii) the addition modification relating to the
18 net operating loss carried back or forward to the
19 taxable year from any taxable year ending prior to
20 December 31, 1986 shall not exceed the amount of
21 such carryback or carryforward;

22 For taxable years in which there is a net operating
23 loss carryback or carryforward from more than one other
24 taxable year ending prior to December 31, 1986, the
25 addition modification provided in this subparagraph
26 (E) shall be the sum of the amounts computed

1 independently under the preceding provisions of this
2 subparagraph (E) for each such taxable year;

3 (E-5) For taxable years ending after December 31,
4 1997, an amount equal to any eligible remediation costs
5 that the corporation deducted in computing adjusted
6 gross income and for which the corporation claims a
7 credit under subsection (l) of Section 201;

8 (E-10) For taxable years 2001 and thereafter, an
9 amount equal to the bonus depreciation deduction taken
10 on the taxpayer's federal income tax return for the
11 taxable year under subsection (k) of Section 168 of the
12 Internal Revenue Code;

13 (E-11) If the taxpayer sells, transfers, abandons,
14 or otherwise disposes of property for which the
15 taxpayer was required in any taxable year to make an
16 addition modification under subparagraph (E-10), then
17 an amount equal to the aggregate amount of the
18 deductions taken in all taxable years under
19 subparagraph (T) with respect to that property.

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which the
22 taxpayer may claim a depreciation deduction for
23 federal income tax purposes and for which the taxpayer
24 was allowed in any taxable year to make a subtraction
25 modification under subparagraph (T), then an amount
26 equal to that subtraction modification.

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;

4 (E-12) An amount equal to the amount otherwise
5 allowed as a deduction in computing base income for
6 interest paid, accrued, or incurred, directly or
7 indirectly, (i) for taxable years ending on or after
8 December 31, 2004, to a foreign person who would be a
9 member of the same unitary business group but for the
10 fact the foreign person's business activity outside
11 the United States is 80% or more of the foreign
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304. The addition modification
20 required by this subparagraph shall be reduced to the
21 extent that dividends were included in base income of
22 the unitary group for the same taxable year and
23 received by the taxpayer or by a member of the
24 taxpayer's unitary business group (including amounts
25 included in gross income pursuant to Sections 951
26 through 964 of the Internal Revenue Code and amounts

1 included in gross income under Section 78 of the
2 Internal Revenue Code) with respect to the stock of the
3 same person to whom the interest was paid, accrued, or
4 incurred.

5 This paragraph shall not apply to the following:

6 (i) an item of interest paid, accrued, or
7 incurred, directly or indirectly, to a person who
8 is subject in a foreign country or state, other
9 than a state which requires mandatory unitary
10 reporting, to a tax on or measured by net income
11 with respect to such interest; or

12 (ii) an item of interest paid, accrued, or
13 incurred, directly or indirectly, to a person if
14 the taxpayer can establish, based on a
15 preponderance of the evidence, both of the
16 following:

17 (a) the person, during the same taxable
18 year, paid, accrued, or incurred, the interest
19 to a person that is not a related member, and

20 (b) the transaction giving rise to the
21 interest expense between the taxpayer and the
22 person did not have as a principal purpose the
23 avoidance of Illinois income tax, and is paid
24 pursuant to a contract or agreement that
25 reflects an arm's-length interest rate and
26 terms; or

1 (iii) the taxpayer can establish, based on
2 clear and convincing evidence, that the interest
3 paid, accrued, or incurred relates to a contract or
4 agreement entered into at arm's-length rates and
5 terms and the principal purpose for the payment is
6 not federal or Illinois tax avoidance; or

7 (iv) an item of interest paid, accrued, or
8 incurred, directly or indirectly, to a person if
9 the taxpayer establishes by clear and convincing
10 evidence that the adjustments are unreasonable; or
11 if the taxpayer and the Director agree in writing
12 to the application or use of an alternative method
13 of apportionment under Section 304(f).

14 Nothing in this subsection shall preclude the
15 Director from making any other adjustment
16 otherwise allowed under Section 404 of this Act for
17 any tax year beginning after the effective date of
18 this amendment provided such adjustment is made
19 pursuant to regulation adopted by the Department
20 and such regulations provide methods and standards
21 by which the Department will utilize its authority
22 under Section 404 of this Act;

23 (E-13) An amount equal to the amount of intangible
24 expenses and costs otherwise allowed as a deduction in
25 computing base income, and that were paid, accrued, or
26 incurred, directly or indirectly, (i) for taxable

1 years ending on or after December 31, 2004, to a
2 foreign person who would be a member of the same
3 unitary business group but for the fact that the
4 foreign person's business activity outside the United
5 States is 80% or more of that person's total business
6 activity and (ii) for taxable years ending on or after
7 December 31, 2008, to a person who would be a member of
8 the same unitary business group but for the fact that
9 the person is prohibited under Section 1501(a)(27)
10 from being included in the unitary business group
11 because he or she is ordinarily required to apportion
12 business income under different subsections of Section
13 304. The addition modification required by this
14 subparagraph shall be reduced to the extent that
15 dividends were included in base income of the unitary
16 group for the same taxable year and received by the
17 taxpayer or by a member of the taxpayer's unitary
18 business group (including amounts included in gross
19 income pursuant to Sections 951 through 964 of the
20 Internal Revenue Code and amounts included in gross
21 income under Section 78 of the Internal Revenue Code)
22 with respect to the stock of the same person to whom
23 the intangible expenses and costs were directly or
24 indirectly paid, incurred, or accrued. The preceding
25 sentence shall not apply to the extent that the same
26 dividends caused a reduction to the addition

1 modification required under Section 203(b)(2)(E-12) of
2 this Act. As used in this subparagraph, the term
3 "intangible expenses and costs" includes (1) expenses,
4 losses, and costs for, or related to, the direct or
5 indirect acquisition, use, maintenance or management,
6 ownership, sale, exchange, or any other disposition of
7 intangible property; (2) losses incurred, directly or
8 indirectly, from factoring transactions or discounting
9 transactions; (3) royalty, patent, technical, and
10 copyright fees; (4) licensing fees; and (5) other
11 similar expenses and costs. For purposes of this
12 subparagraph, "intangible property" includes patents,
13 patent applications, trade names, trademarks, service
14 marks, copyrights, mask works, trade secrets, and
15 similar types of intangible assets.

16 This paragraph shall not apply to the following:

17 (i) any item of intangible expenses or costs
18 paid, accrued, or incurred, directly or
19 indirectly, from a transaction with a person who is
20 subject in a foreign country or state, other than a
21 state which requires mandatory unitary reporting,
22 to a tax on or measured by net income with respect
23 to such item; or

24 (ii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, if the taxpayer can establish, based

1 on a preponderance of the evidence, both of the
2 following:

3 (a) the person during the same taxable
4 year paid, accrued, or incurred, the
5 intangible expense or cost to a person that is
6 not a related member, and

7 (b) the transaction giving rise to the
8 intangible expense or cost between the
9 taxpayer and the person did not have as a
10 principal purpose the avoidance of Illinois
11 income tax, and is paid pursuant to a contract
12 or agreement that reflects arm's-length terms;
13 or

14 (iii) any item of intangible expense or cost
15 paid, accrued, or incurred, directly or
16 indirectly, from a transaction with a person if the
17 taxpayer establishes by clear and convincing
18 evidence, that the adjustments are unreasonable;
19 or if the taxpayer and the Director agree in
20 writing to the application or use of an alternative
21 method of apportionment under Section 304(f);

22 Nothing in this subsection shall preclude the
23 Director from making any other adjustment
24 otherwise allowed under Section 404 of this Act for
25 any tax year beginning after the effective date of
26 this amendment provided such adjustment is made

1 pursuant to regulation adopted by the Department
2 and such regulations provide methods and standards
3 by which the Department will utilize its authority
4 under Section 404 of this Act;

5 (E-14) For taxable years ending on or after
6 December 31, 2008, an amount equal to the amount of
7 insurance premium expenses and costs otherwise allowed
8 as a deduction in computing base income, and that were
9 paid, accrued, or incurred, directly or indirectly, to
10 a person who would be a member of the same unitary
11 business group but for the fact that the person is
12 prohibited under Section 1501(a)(27) from being
13 included in the unitary business group because he or
14 she is ordinarily required to apportion business
15 income under different subsections of Section 304. The
16 addition modification required by this subparagraph
17 shall be reduced to the extent that dividends were
18 included in base income of the unitary group for the
19 same taxable year and received by the taxpayer or by a
20 member of the taxpayer's unitary business group
21 (including amounts included in gross income under
22 Sections 951 through 964 of the Internal Revenue Code
23 and amounts included in gross income under Section 78
24 of the Internal Revenue Code) with respect to the stock
25 of the same person to whom the premiums and costs were
26 directly or indirectly paid, incurred, or accrued. The

1 preceding sentence does not apply to the extent that
2 the same dividends caused a reduction to the addition
3 modification required under Section 203(b) (2) (E-12) or
4 Section 203(b) (2) (E-13) of this Act;

5 (E-15) For taxable years beginning after December
6 31, 2008, any deduction for dividends paid by a captive
7 real estate investment trust that is allowed to a real
8 estate investment trust under Section 857(b) (2) (B) of
9 the Internal Revenue Code for dividends paid;

10 (E-16) An amount equal to the credit allowable to
11 the taxpayer under Section 218(a) of this Act,
12 determined without regard to Section 218(c) of this
13 Act;

14 (E-17) For taxable years ending on or after
15 December 31, 2016, an amount equal to the deduction
16 allowed under Section 199 of the Internal Revenue Code
17 for the taxable year;

18 and by deducting from the total so obtained the sum of the
19 following amounts:

20 (F) An amount equal to the amount of any tax
21 imposed by this Act which was refunded to the taxpayer
22 and included in such total for the taxable year;

23 (G) An amount equal to any amount included in such
24 total under Section 78 of the Internal Revenue Code;

25 (H) In the case of a regulated investment company,
26 an amount equal to the amount of exempt interest

1 dividends as defined in subsection (b) (5) of Section
2 852 of the Internal Revenue Code, paid to shareholders
3 for the taxable year;

4 (I) With the exception of any amounts subtracted
5 under subparagraph (J), an amount equal to the sum of
6 all amounts disallowed as deductions by (i) Sections
7 171(a) (2), and 265(a)(2) and amounts disallowed as
8 interest expense by Section 291(a)(3) of the Internal
9 Revenue Code, and all amounts of expenses allocable to
10 interest and disallowed as deductions by Section
11 265(a)(1) of the Internal Revenue Code; and (ii) for
12 taxable years ending on or after August 13, 1999,
13 Sections 171(a)(2), 265, 280C, 291(a)(3), and
14 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
15 for tax years ending on or after December 31, 2011,
16 amounts disallowed as deductions by Section 45G(e)(3)
17 of the Internal Revenue Code and, for taxable years
18 ending on or after December 31, 2008, any amount
19 included in gross income under Section 87 of the
20 Internal Revenue Code and the policyholders' share of
21 tax-exempt interest of a life insurance company under
22 Section 807(a)(2)(B) of the Internal Revenue Code (in
23 the case of a life insurance company with gross income
24 from a decrease in reserves for the tax year) or
25 Section 807(b)(1)(B) of the Internal Revenue Code (in
26 the case of a life insurance company allowed a

1 deduction for an increase in reserves for the tax
2 year); the provisions of this subparagraph are exempt
3 from the provisions of Section 250;

4 (J) An amount equal to all amounts included in such
5 total which are exempt from taxation by this State
6 either by reason of its statutes or Constitution or by
7 reason of the Constitution, treaties or statutes of the
8 United States; provided that, in the case of any
9 statute of this State that exempts income derived from
10 bonds or other obligations from the tax imposed under
11 this Act, the amount exempted shall be the interest net
12 of bond premium amortization;

13 (K) An amount equal to those dividends included in
14 such total which were paid by a corporation which
15 conducts business operations in a River Edge
16 Redevelopment Zone or zones created under the River
17 Edge Redevelopment Zone Act and conducts substantially
18 all of its operations in a River Edge Redevelopment
19 Zone or zones. This subparagraph (K) is exempt from the
20 provisions of Section 250;

21 (L) An amount equal to those dividends included in
22 such total that were paid by a corporation that
23 conducts business operations in a federally designated
24 Foreign Trade Zone or Sub-Zone and that is designated a
25 High Impact Business located in Illinois; provided
26 that dividends eligible for the deduction provided in

1 subparagraph (K) of paragraph 2 of this subsection
2 shall not be eligible for the deduction provided under
3 this subparagraph (L);

4 (M) For any taxpayer that is a financial
5 organization within the meaning of Section 304(c) of
6 this Act, an amount included in such total as interest
7 income from a loan or loans made by such taxpayer to a
8 borrower, to the extent that such a loan is secured by
9 property which is eligible for the River Edge
10 Redevelopment Zone Investment Credit. To determine the
11 portion of a loan or loans that is secured by property
12 eligible for a Section 201(f) investment credit to the
13 borrower, the entire principal amount of the loan or
14 loans between the taxpayer and the borrower should be
15 divided into the basis of the Section 201(f) investment
16 credit property which secures the loan or loans, using
17 for this purpose the original basis of such property on
18 the date that it was placed in service in the River
19 Edge Redevelopment Zone. The subtraction modification
20 available to taxpayer in any year under this subsection
21 shall be that portion of the total interest paid by the
22 borrower with respect to such loan attributable to the
23 eligible property as calculated under the previous
24 sentence. This subparagraph (M) is exempt from the
25 provisions of Section 250;

26 (M-1) For any taxpayer that is a financial

1 organization within the meaning of Section 304(c) of
2 this Act, an amount included in such total as interest
3 income from a loan or loans made by such taxpayer to a
4 borrower, to the extent that such a loan is secured by
5 property which is eligible for the High Impact Business
6 Investment Credit. To determine the portion of a loan
7 or loans that is secured by property eligible for a
8 Section 201(h) investment credit to the borrower, the
9 entire principal amount of the loan or loans between
10 the taxpayer and the borrower should be divided into
11 the basis of the Section 201(h) investment credit
12 property which secures the loan or loans, using for
13 this purpose the original basis of such property on the
14 date that it was placed in service in a federally
15 designated Foreign Trade Zone or Sub-Zone located in
16 Illinois. No taxpayer that is eligible for the
17 deduction provided in subparagraph (M) of paragraph
18 (2) of this subsection shall be eligible for the
19 deduction provided under this subparagraph (M-1). The
20 subtraction modification available to taxpayers in any
21 year under this subsection shall be that portion of the
22 total interest paid by the borrower with respect to
23 such loan attributable to the eligible property as
24 calculated under the previous sentence;

25 (N) Two times any contribution made during the
26 taxable year to a designated zone organization to the

1 extent that the contribution (i) qualifies as a
2 charitable contribution under subsection (c) of
3 Section 170 of the Internal Revenue Code and (ii) must,
4 by its terms, be used for a project approved by the
5 Department of Commerce and Economic Opportunity under
6 Section 11 of the Illinois Enterprise Zone Act or under
7 Section 10-10 of the River Edge Redevelopment Zone Act.
8 This subparagraph (N) is exempt from the provisions of
9 Section 250;

10 (O) An amount equal to: (i) 85% for taxable years
11 ending on or before December 31, 1992, or, a percentage
12 equal to the percentage allowable under Section
13 243(a)(1) of the Internal Revenue Code of 1986 for
14 taxable years ending after December 31, 1992, of the
15 amount by which dividends included in taxable income
16 and received from a corporation that is not created or
17 organized under the laws of the United States or any
18 state or political subdivision thereof, including, for
19 taxable years ending on or after December 31, 1988,
20 dividends received or deemed received or paid or deemed
21 paid under Sections 951 through 965 of the Internal
22 Revenue Code, exceed the amount of the modification
23 provided under subparagraph (G) of paragraph (2) of
24 this subsection (b) which is related to such dividends,
25 and including, for taxable years ending on or after
26 December 31, 2008, dividends received from a captive

1 real estate investment trust; plus (ii) 100% of the
2 amount by which dividends, included in taxable income
3 and received, including, for taxable years ending on or
4 after December 31, 1988, dividends received or deemed
5 received or paid or deemed paid under Sections 951
6 through 964 of the Internal Revenue Code and including,
7 for taxable years ending on or after December 31, 2008,
8 dividends received from a captive real estate
9 investment trust, from any such corporation specified
10 in clause (i) that would but for the provisions of
11 Section 1504 (b) (3) of the Internal Revenue Code be
12 treated as a member of the affiliated group which
13 includes the dividend recipient, exceed the amount of
14 the modification provided under subparagraph (G) of
15 paragraph (2) of this subsection (b) which is related
16 to such dividends. This subparagraph (O) is exempt from
17 the provisions of Section 250 of this Act;

18 (P) An amount equal to any contribution made to a
19 job training project established pursuant to the Tax
20 Increment Allocation Redevelopment Act;

21 (Q) An amount equal to the amount of the deduction
22 used to compute the federal income tax credit for
23 restoration of substantial amounts held under claim of
24 right for the taxable year pursuant to Section 1341 of
25 the Internal Revenue Code;

26 (R) On and after July 20, 1999, in the case of an

1 attorney-in-fact with respect to whom an interinsurer
2 or a reciprocal insurer has made the election under
3 Section 835 of the Internal Revenue Code, 26 U.S.C.
4 835, an amount equal to the excess, if any, of the
5 amounts paid or incurred by that interinsurer or
6 reciprocal insurer in the taxable year to the
7 attorney-in-fact over the deduction allowed to that
8 interinsurer or reciprocal insurer with respect to the
9 attorney-in-fact under Section 835(b) of the Internal
10 Revenue Code for the taxable year; the provisions of
11 this subparagraph are exempt from the provisions of
12 Section 250;

13 (S) For taxable years ending on or after December
14 31, 1997, in the case of a Subchapter S corporation, an
15 amount equal to all amounts of income allocable to a
16 shareholder subject to the Personal Property Tax
17 Replacement Income Tax imposed by subsections (c) and
18 (d) of Section 201 of this Act, including amounts
19 allocable to organizations exempt from federal income
20 tax by reason of Section 501(a) of the Internal Revenue
21 Code. This subparagraph (S) is exempt from the
22 provisions of Section 250;

23 (T) For taxable years 2001 and thereafter, for the
24 taxable year in which the bonus depreciation deduction
25 is taken on the taxpayer's federal income tax return
26 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year
2 thereafter, an amount equal to "x", where:

3 (1) "y" equals the amount of the depreciation
4 deduction taken for the taxable year on the
5 taxpayer's federal income tax return on property
6 for which the bonus depreciation deduction was
7 taken in any year under subsection (k) of Section
8 168 of the Internal Revenue Code, but not including
9 the bonus depreciation deduction;

10 (2) for taxable years ending on or before
11 December 31, 2005, "x" equals "y" multiplied by 30
12 and then divided by 70 (or "y" multiplied by
13 0.429); and

14 (3) for taxable years ending after December
15 31, 2005:

16 (i) for property on which a bonus
17 depreciation deduction of 30% of the adjusted
18 basis was taken, "x" equals "y" multiplied by
19 30 and then divided by 70 (or "y" multiplied by
20 0.429); and

21 (ii) for property on which a bonus
22 depreciation deduction of 50% of the adjusted
23 basis was taken, "x" equals "y" multiplied by
24 1.0.

25 The aggregate amount deducted under this
26 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus
2 depreciation deduction taken on that property on the
3 taxpayer's federal income tax return under subsection
4 (k) of Section 168 of the Internal Revenue Code. This
5 subparagraph (T) is exempt from the provisions of
6 Section 250;

7 (U) If the taxpayer sells, transfers, abandons, or
8 otherwise disposes of property for which the taxpayer
9 was required in any taxable year to make an addition
10 modification under subparagraph (E-10), then an amount
11 equal to that addition modification.

12 If the taxpayer continues to own property through
13 the last day of the last tax year for which the
14 taxpayer may claim a depreciation deduction for
15 federal income tax purposes and for which the taxpayer
16 was required in any taxable year to make an addition
17 modification under subparagraph (E-10), then an amount
18 equal to that addition modification.

19 The taxpayer is allowed to take the deduction under
20 this subparagraph only once with respect to any one
21 piece of property.

22 This subparagraph (U) is exempt from the
23 provisions of Section 250;

24 (V) The amount of: (i) any interest income (net of
25 the deductions allocable thereto) taken into account
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition
2 modification with respect to such transaction under
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
5 the amount of such addition modification, (ii) any
6 income from intangible property (net of the deductions
7 allocable thereto) taken into account for the taxable
8 year with respect to a transaction with a taxpayer that
9 is required to make an addition modification with
10 respect to such transaction under Section
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
12 203(d)(2)(D-8), but not to exceed the amount of such
13 addition modification, and (iii) any insurance premium
14 income (net of deductions allocable thereto) taken
15 into account for the taxable year with respect to a
16 transaction with a taxpayer that is required to make an
17 addition modification with respect to such transaction
18 under Section 203(a)(2)(D-19), Section
19 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
20 203(d)(2)(D-9), but not to exceed the amount of that
21 addition modification. This subparagraph (V) is exempt
22 from the provisions of Section 250;

23 (W) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

1 member of the taxpayer's unitary business group but for
2 the fact that the foreign person's business activity
3 outside the United States is 80% or more of that
4 person's total business activity and (ii) for taxable
5 years ending on or after December 31, 2008, to a person
6 who would be a member of the same unitary business
7 group but for the fact that the person is prohibited
8 under Section 1501(a)(27) from being included in the
9 unitary business group because he or she is ordinarily
10 required to apportion business income under different
11 subsections of Section 304, but not to exceed the
12 addition modification required to be made for the same
13 taxable year under Section 203(b)(2)(E-12) for
14 interest paid, accrued, or incurred, directly or
15 indirectly, to the same person. This subparagraph (W)
16 is exempt from the provisions of Section 250;

17 (X) An amount equal to the income from intangible
18 property taken into account for the taxable year (net
19 of the deductions allocable thereto) with respect to
20 transactions with (i) a foreign person who would be a
21 member of the taxpayer's unitary business group but for
22 the fact that the foreign person's business activity
23 outside the United States is 80% or more of that
24 person's total business activity and (ii) for taxable
25 years ending on or after December 31, 2008, to a person
26 who would be a member of the same unitary business

1 group but for the fact that the person is prohibited
2 under Section 1501(a)(27) from being included in the
3 unitary business group because he or she is ordinarily
4 required to apportion business income under different
5 subsections of Section 304, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(b)(2)(E-13) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same foreign
10 person. This subparagraph (X) is exempt from the
11 provisions of Section 250;

12 (Y) For taxable years ending on or after December
13 31, 2011, in the case of a taxpayer who was required to
14 add back any insurance premiums under Section
15 203(b)(2)(E-14), such taxpayer may elect to subtract
16 that part of a reimbursement received from the
17 insurance company equal to the amount of the expense or
18 loss (including expenses incurred by the insurance
19 company) that would have been taken into account as a
20 deduction for federal income tax purposes if the
21 expense or loss had been uninsured. If a taxpayer makes
22 the election provided for by this subparagraph (Y), the
23 insurer to which the premiums were paid must add back
24 to income the amount subtracted by the taxpayer
25 pursuant to this subparagraph (Y). This subparagraph
26 (Y) is exempt from the provisions of Section 250; and

1 (Z) The difference between the nondeductible
2 controlled foreign corporation dividends under Section
3 965(e)(3) of the Internal Revenue Code over the taxable
4 income of the taxpayer, computed without regard to
5 Section 965(e)(2)(A) of the Internal Revenue Code, and
6 without regard to any net operating loss deduction.
7 This subparagraph (Z) is exempt from the provisions of
8 Section 250.

9 (3) Special rule. For purposes of paragraph (2) (A),
10 "gross income" in the case of a life insurance company, for
11 tax years ending on and after December 31, 1994, and prior
12 to December 31, 2011, shall mean the gross investment
13 income for the taxable year and, for tax years ending on or
14 after December 31, 2011, shall mean all amounts included in
15 life insurance gross income under Section 803(a)(3) of the
16 Internal Revenue Code.

17 (c) Trusts and estates.

18 (1) In general. In the case of a trust or estate, base
19 income means an amount equal to the taxpayer's taxable
20 income for the taxable year as modified by paragraph (2).

21 (2) Modifications. Subject to the provisions of
22 paragraph (3), the taxable income referred to in paragraph
23 (1) shall be modified by adding thereto the sum of the
24 following amounts:

25 (A) An amount equal to all amounts paid or accrued

1 to the taxpayer as interest or dividends during the
2 taxable year to the extent excluded from gross income
3 in the computation of taxable income;

4 (B) In the case of (i) an estate, \$600; (ii) a
5 trust which, under its governing instrument, is
6 required to distribute all of its income currently,
7 \$300; and (iii) any other trust, \$100, but in each such
8 case, only to the extent such amount was deducted in
9 the computation of taxable income;

10 (C) An amount equal to the amount of tax imposed by
11 this Act to the extent deducted from gross income in
12 the computation of taxable income for the taxable year;

13 (D) The amount of any net operating loss deduction
14 taken in arriving at taxable income, other than a net
15 operating loss carried forward from a taxable year
16 ending prior to December 31, 1986;

17 (E) For taxable years in which a net operating loss
18 carryback or carryforward from a taxable year ending
19 prior to December 31, 1986 is an element of taxable
20 income under paragraph (1) of subsection (e) or
21 subparagraph (E) of paragraph (2) of subsection (e),
22 the amount by which addition modifications other than
23 those provided by this subparagraph (E) exceeded
24 subtraction modifications in such taxable year, with
25 the following limitations applied in the order that
26 they are listed:

1 (i) the addition modification relating to the
2 net operating loss carried back or forward to the
3 taxable year from any taxable year ending prior to
4 December 31, 1986 shall be reduced by the amount of
5 addition modification under this subparagraph (E)
6 which related to that net operating loss and which
7 was taken into account in calculating the base
8 income of an earlier taxable year, and

9 (ii) the addition modification relating to the
10 net operating loss carried back or forward to the
11 taxable year from any taxable year ending prior to
12 December 31, 1986 shall not exceed the amount of
13 such carryback or carryforward;

14 For taxable years in which there is a net operating
15 loss carryback or carryforward from more than one other
16 taxable year ending prior to December 31, 1986, the
17 addition modification provided in this subparagraph
18 (E) shall be the sum of the amounts computed
19 independently under the preceding provisions of this
20 subparagraph (E) for each such taxable year;

21 (F) For taxable years ending on or after January 1,
22 1989, an amount equal to the tax deducted pursuant to
23 Section 164 of the Internal Revenue Code if the trust
24 or estate is claiming the same tax for purposes of the
25 Illinois foreign tax credit under Section 601 of this
26 Act;

1 (G) An amount equal to the amount of the capital
2 gain deduction allowable under the Internal Revenue
3 Code, to the extent deducted from gross income in the
4 computation of taxable income;

5 (G-5) For taxable years ending after December 31,
6 1997, an amount equal to any eligible remediation costs
7 that the trust or estate deducted in computing adjusted
8 gross income and for which the trust or estate claims a
9 credit under subsection (l) of Section 201;

10 (G-10) For taxable years 2001 and thereafter, an
11 amount equal to the bonus depreciation deduction taken
12 on the taxpayer's federal income tax return for the
13 taxable year under subsection (k) of Section 168 of the
14 Internal Revenue Code; and

15 (G-11) If the taxpayer sells, transfers, abandons,
16 or otherwise disposes of property for which the
17 taxpayer was required in any taxable year to make an
18 addition modification under subparagraph (G-10), then
19 an amount equal to the aggregate amount of the
20 deductions taken in all taxable years under
21 subparagraph (R) with respect to that property.

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which the
24 taxpayer may claim a depreciation deduction for
25 federal income tax purposes and for which the taxpayer
26 was allowed in any taxable year to make a subtraction

1 modification under subparagraph (R), then an amount
2 equal to that subtraction modification.

3 The taxpayer is required to make the addition
4 modification under this subparagraph only once with
5 respect to any one piece of property;

6 (G-12) An amount equal to the amount otherwise
7 allowed as a deduction in computing base income for
8 interest paid, accrued, or incurred, directly or
9 indirectly, (i) for taxable years ending on or after
10 December 31, 2004, to a foreign person who would be a
11 member of the same unitary business group but for the
12 fact that the foreign person's business activity
13 outside the United States is 80% or more of the foreign
14 person's total business activity and (ii) for taxable
15 years ending on or after December 31, 2008, to a person
16 who would be a member of the same unitary business
17 group but for the fact that the person is prohibited
18 under Section 1501(a)(27) from being included in the
19 unitary business group because he or she is ordinarily
20 required to apportion business income under different
21 subsections of Section 304. The addition modification
22 required by this subparagraph shall be reduced to the
23 extent that dividends were included in base income of
24 the unitary group for the same taxable year and
25 received by the taxpayer or by a member of the
26 taxpayer's unitary business group (including amounts

1 included in gross income pursuant to Sections 951
2 through 964 of the Internal Revenue Code and amounts
3 included in gross income under Section 78 of the
4 Internal Revenue Code) with respect to the stock of the
5 same person to whom the interest was paid, accrued, or
6 incurred.

7 This paragraph shall not apply to the following:

8 (i) an item of interest paid, accrued, or
9 incurred, directly or indirectly, to a person who
10 is subject in a foreign country or state, other
11 than a state which requires mandatory unitary
12 reporting, to a tax on or measured by net income
13 with respect to such interest; or

14 (ii) an item of interest paid, accrued, or
15 incurred, directly or indirectly, to a person if
16 the taxpayer can establish, based on a
17 preponderance of the evidence, both of the
18 following:

19 (a) the person, during the same taxable
20 year, paid, accrued, or incurred, the interest
21 to a person that is not a related member, and

22 (b) the transaction giving rise to the
23 interest expense between the taxpayer and the
24 person did not have as a principal purpose the
25 avoidance of Illinois income tax, and is paid
26 pursuant to a contract or agreement that

1 reflects an arm's-length interest rate and
2 terms; or

3 (iii) the taxpayer can establish, based on
4 clear and convincing evidence, that the interest
5 paid, accrued, or incurred relates to a contract or
6 agreement entered into at arm's-length rates and
7 terms and the principal purpose for the payment is
8 not federal or Illinois tax avoidance; or

9 (iv) an item of interest paid, accrued, or
10 incurred, directly or indirectly, to a person if
11 the taxpayer establishes by clear and convincing
12 evidence that the adjustments are unreasonable; or
13 if the taxpayer and the Director agree in writing
14 to the application or use of an alternative method
15 of apportionment under Section 304(f).

16 Nothing in this subsection shall preclude the
17 Director from making any other adjustment
18 otherwise allowed under Section 404 of this Act for
19 any tax year beginning after the effective date of
20 this amendment provided such adjustment is made
21 pursuant to regulation adopted by the Department
22 and such regulations provide methods and standards
23 by which the Department will utilize its authority
24 under Section 404 of this Act;

25 (G-13) An amount equal to the amount of intangible
26 expenses and costs otherwise allowed as a deduction in

1 computing base income, and that were paid, accrued, or
2 incurred, directly or indirectly, (i) for taxable
3 years ending on or after December 31, 2004, to a
4 foreign person who would be a member of the same
5 unitary business group but for the fact that the
6 foreign person's business activity outside the United
7 States is 80% or more of that person's total business
8 activity and (ii) for taxable years ending on or after
9 December 31, 2008, to a person who would be a member of
10 the same unitary business group but for the fact that
11 the person is prohibited under Section 1501(a)(27)
12 from being included in the unitary business group
13 because he or she is ordinarily required to apportion
14 business income under different subsections of Section
15 304. The addition modification required by this
16 subparagraph shall be reduced to the extent that
17 dividends were included in base income of the unitary
18 group for the same taxable year and received by the
19 taxpayer or by a member of the taxpayer's unitary
20 business group (including amounts included in gross
21 income pursuant to Sections 951 through 964 of the
22 Internal Revenue Code and amounts included in gross
23 income under Section 78 of the Internal Revenue Code)
24 with respect to the stock of the same person to whom
25 the intangible expenses and costs were directly or
26 indirectly paid, incurred, or accrued. The preceding

1 sentence shall not apply to the extent that the same
2 dividends caused a reduction to the addition
3 modification required under Section 203(c)(2)(G-12) of
4 this Act. As used in this subparagraph, the term
5 "intangible expenses and costs" includes: (1)
6 expenses, losses, and costs for or related to the
7 direct or indirect acquisition, use, maintenance or
8 management, ownership, sale, exchange, or any other
9 disposition of intangible property; (2) losses
10 incurred, directly or indirectly, from factoring
11 transactions or discounting transactions; (3) royalty,
12 patent, technical, and copyright fees; (4) licensing
13 fees; and (5) other similar expenses and costs. For
14 purposes of this subparagraph, "intangible property"
15 includes patents, patent applications, trade names,
16 trademarks, service marks, copyrights, mask works,
17 trade secrets, and similar types of intangible assets.

18 This paragraph shall not apply to the following:

19 (i) any item of intangible expenses or costs
20 paid, accrued, or incurred, directly or
21 indirectly, from a transaction with a person who is
22 subject in a foreign country or state, other than a
23 state which requires mandatory unitary reporting,
24 to a tax on or measured by net income with respect
25 to such item; or

26 (ii) any item of intangible expense or cost

1 paid, accrued, or incurred, directly or
2 indirectly, if the taxpayer can establish, based
3 on a preponderance of the evidence, both of the
4 following:

5 (a) the person during the same taxable
6 year paid, accrued, or incurred, the
7 intangible expense or cost to a person that is
8 not a related member, and

9 (b) the transaction giving rise to the
10 intangible expense or cost between the
11 taxpayer and the person did not have as a
12 principal purpose the avoidance of Illinois
13 income tax, and is paid pursuant to a contract
14 or agreement that reflects arm's-length terms;
15 or

16 (iii) any item of intangible expense or cost
17 paid, accrued, or incurred, directly or
18 indirectly, from a transaction with a person if the
19 taxpayer establishes by clear and convincing
20 evidence, that the adjustments are unreasonable;
21 or if the taxpayer and the Director agree in
22 writing to the application or use of an alternative
23 method of apportionment under Section 304(f);

24 Nothing in this subsection shall preclude the
25 Director from making any other adjustment
26 otherwise allowed under Section 404 of this Act for

1 any tax year beginning after the effective date of
2 this amendment provided such adjustment is made
3 pursuant to regulation adopted by the Department
4 and such regulations provide methods and standards
5 by which the Department will utilize its authority
6 under Section 404 of this Act;

7 (G-14) For taxable years ending on or after
8 December 31, 2008, an amount equal to the amount of
9 insurance premium expenses and costs otherwise allowed
10 as a deduction in computing base income, and that were
11 paid, accrued, or incurred, directly or indirectly, to
12 a person who would be a member of the same unitary
13 business group but for the fact that the person is
14 prohibited under Section 1501(a)(27) from being
15 included in the unitary business group because he or
16 she is ordinarily required to apportion business
17 income under different subsections of Section 304. The
18 addition modification required by this subparagraph
19 shall be reduced to the extent that dividends were
20 included in base income of the unitary group for the
21 same taxable year and received by the taxpayer or by a
22 member of the taxpayer's unitary business group
23 (including amounts included in gross income under
24 Sections 951 through 964 of the Internal Revenue Code
25 and amounts included in gross income under Section 78
26 of the Internal Revenue Code) with respect to the stock

1 of the same person to whom the premiums and costs were
2 directly or indirectly paid, incurred, or accrued. The
3 preceding sentence does not apply to the extent that
4 the same dividends caused a reduction to the addition
5 modification required under Section 203(c)(2)(G-12) or
6 Section 203(c)(2)(G-13) of this Act;

7 (G-15) An amount equal to the credit allowable to
8 the taxpayer under Section 218(a) of this Act,
9 determined without regard to Section 218(c) of this
10 Act;

11 (G-16) For taxable years ending on or after
12 December 31, 2016, an amount equal to the deduction
13 allowed under Section 199 of the Internal Revenue Code
14 for the taxable year;

15 and by deducting from the total so obtained the sum of the
16 following amounts:

17 (H) An amount equal to all amounts included in such
18 total pursuant to the provisions of Sections 402(a),
19 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
20 Internal Revenue Code or included in such total as
21 distributions under the provisions of any retirement
22 or disability plan for employees of any governmental
23 agency or unit, or retirement payments to retired
24 partners, which payments are excluded in computing net
25 earnings from self employment by Section 1402 of the
26 Internal Revenue Code and regulations adopted pursuant

1 thereto;

2 (I) The valuation limitation amount;

3 (J) An amount equal to the amount of any tax
4 imposed by this Act which was refunded to the taxpayer
5 and included in such total for the taxable year;

6 (K) An amount equal to all amounts included in
7 taxable income as modified by subparagraphs (A), (B),
8 (C), (D), (E), (F) and (G) which are exempt from
9 taxation by this State either by reason of its statutes
10 or Constitution or by reason of the Constitution,
11 treaties or statutes of the United States; provided
12 that, in the case of any statute of this State that
13 exempts income derived from bonds or other obligations
14 from the tax imposed under this Act, the amount
15 exempted shall be the interest net of bond premium
16 amortization;

17 (L) With the exception of any amounts subtracted
18 under subparagraph (K), an amount equal to the sum of
19 all amounts disallowed as deductions by (i) Sections
20 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
21 and all amounts of expenses allocable to interest and
22 disallowed as deductions by Section 265(1) of the
23 Internal Revenue Code; and (ii) for taxable years
24 ending on or after August 13, 1999, Sections 171(a) (2),
25 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
26 Code, plus, (iii) for taxable years ending on or after

1 December 31, 2011, Section 45G(e)(3) of the Internal
2 Revenue Code and, for taxable years ending on or after
3 December 31, 2008, any amount included in gross income
4 under Section 87 of the Internal Revenue Code; the
5 provisions of this subparagraph are exempt from the
6 provisions of Section 250;

7 (M) An amount equal to those dividends included in
8 such total which were paid by a corporation which
9 conducts business operations in a River Edge
10 Redevelopment Zone or zones created under the River
11 Edge Redevelopment Zone Act and conducts substantially
12 all of its operations in a River Edge Redevelopment
13 Zone or zones. This subparagraph (M) is exempt from the
14 provisions of Section 250;

15 (N) An amount equal to any contribution made to a
16 job training project established pursuant to the Tax
17 Increment Allocation Redevelopment Act;

18 (O) An amount equal to those dividends included in
19 such total that were paid by a corporation that
20 conducts business operations in a federally designated
21 Foreign Trade Zone or Sub-Zone and that is designated a
22 High Impact Business located in Illinois; provided
23 that dividends eligible for the deduction provided in
24 subparagraph (M) of paragraph (2) of this subsection
25 shall not be eligible for the deduction provided under
26 this subparagraph (O);

1 (P) An amount equal to the amount of the deduction
2 used to compute the federal income tax credit for
3 restoration of substantial amounts held under claim of
4 right for the taxable year pursuant to Section 1341 of
5 the Internal Revenue Code;

6 (Q) For taxable year 1999 and thereafter, an amount
7 equal to the amount of any (i) distributions, to the
8 extent includible in gross income for federal income
9 tax purposes, made to the taxpayer because of his or
10 her status as a victim of persecution for racial or
11 religious reasons by Nazi Germany or any other Axis
12 regime or as an heir of the victim and (ii) items of
13 income, to the extent includible in gross income for
14 federal income tax purposes, attributable to, derived
15 from or in any way related to assets stolen from,
16 hidden from, or otherwise lost to a victim of
17 persecution for racial or religious reasons by Nazi
18 Germany or any other Axis regime immediately prior to,
19 during, and immediately after World War II, including,
20 but not limited to, interest on the proceeds receivable
21 as insurance under policies issued to a victim of
22 persecution for racial or religious reasons by Nazi
23 Germany or any other Axis regime by European insurance
24 companies immediately prior to and during World War II;
25 provided, however, this subtraction from federal
26 adjusted gross income does not apply to assets acquired

1 with such assets or with the proceeds from the sale of
2 such assets; provided, further, this paragraph shall
3 only apply to a taxpayer who was the first recipient of
4 such assets after their recovery and who is a victim of
5 persecution for racial or religious reasons by Nazi
6 Germany or any other Axis regime or as an heir of the
7 victim. The amount of and the eligibility for any
8 public assistance, benefit, or similar entitlement is
9 not affected by the inclusion of items (i) and (ii) of
10 this paragraph in gross income for federal income tax
11 purposes. This paragraph is exempt from the provisions
12 of Section 250;

13 (R) For taxable years 2001 and thereafter, for the
14 taxable year in which the bonus depreciation deduction
15 is taken on the taxpayer's federal income tax return
16 under subsection (k) of Section 168 of the Internal
17 Revenue Code and for each applicable taxable year
18 thereafter, an amount equal to "x", where:

19 (1) "y" equals the amount of the depreciation
20 deduction taken for the taxable year on the
21 taxpayer's federal income tax return on property
22 for which the bonus depreciation deduction was
23 taken in any year under subsection (k) of Section
24 168 of the Internal Revenue Code, but not including
25 the bonus depreciation deduction;

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30
2 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (3) for taxable years ending after December
5 31, 2005:

6 (i) for property on which a bonus
7 depreciation deduction of 30% of the adjusted
8 basis was taken, "x" equals "y" multiplied by
9 30 and then divided by 70 (or "y" multiplied by
10 0.429); and

11 (ii) for property on which a bonus
12 depreciation deduction of 50% of the adjusted
13 basis was taken, "x" equals "y" multiplied by
14 1.0.

15 The aggregate amount deducted under this
16 subparagraph in all taxable years for any one piece of
17 property may not exceed the amount of the bonus
18 depreciation deduction taken on that property on the
19 taxpayer's federal income tax return under subsection
20 (k) of Section 168 of the Internal Revenue Code. This
21 subparagraph (R) is exempt from the provisions of
22 Section 250;

23 (S) If the taxpayer sells, transfers, abandons, or
24 otherwise disposes of property for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (G-10), then an amount

1 equal to that addition modification.

2 If the taxpayer continues to own property through
3 the last day of the last tax year for which the
4 taxpayer may claim a depreciation deduction for
5 federal income tax purposes and for which the taxpayer
6 was required in any taxable year to make an addition
7 modification under subparagraph (G-10), then an amount
8 equal to that addition modification.

9 The taxpayer is allowed to take the deduction under
10 this subparagraph only once with respect to any one
11 piece of property.

12 This subparagraph (S) is exempt from the
13 provisions of Section 250;

14 (T) The amount of (i) any interest income (net of
15 the deductions allocable thereto) taken into account
16 for the taxable year with respect to a transaction with
17 a taxpayer that is required to make an addition
18 modification with respect to such transaction under
19 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
20 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
21 the amount of such addition modification and (ii) any
22 income from intangible property (net of the deductions
23 allocable thereto) taken into account for the taxable
24 year with respect to a transaction with a taxpayer that
25 is required to make an addition modification with
26 respect to such transaction under Section

1 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
2 203(d)(2)(D-8), but not to exceed the amount of such
3 addition modification. This subparagraph (T) is exempt
4 from the provisions of Section 250;

5 (U) An amount equal to the interest income taken
6 into account for the taxable year (net of the
7 deductions allocable thereto) with respect to
8 transactions with (i) a foreign person who would be a
9 member of the taxpayer's unitary business group but for
10 the fact the foreign person's business activity
11 outside the United States is 80% or more of that
12 person's total business activity and (ii) for taxable
13 years ending on or after December 31, 2008, to a person
14 who would be a member of the same unitary business
15 group but for the fact that the person is prohibited
16 under Section 1501(a)(27) from being included in the
17 unitary business group because he or she is ordinarily
18 required to apportion business income under different
19 subsections of Section 304, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(c)(2)(G-12) for
22 interest paid, accrued, or incurred, directly or
23 indirectly, to the same person. This subparagraph (U)
24 is exempt from the provisions of Section 250;

25 (V) An amount equal to the income from intangible
26 property taken into account for the taxable year (net

1 of the deductions allocable thereto) with respect to
2 transactions with (i) a foreign person who would be a
3 member of the taxpayer's unitary business group but for
4 the fact that the foreign person's business activity
5 outside the United States is 80% or more of that
6 person's total business activity and (ii) for taxable
7 years ending on or after December 31, 2008, to a person
8 who would be a member of the same unitary business
9 group but for the fact that the person is prohibited
10 under Section 1501(a)(27) from being included in the
11 unitary business group because he or she is ordinarily
12 required to apportion business income under different
13 subsections of Section 304, but not to exceed the
14 addition modification required to be made for the same
15 taxable year under Section 203(c)(2)(G-13) for
16 intangible expenses and costs paid, accrued, or
17 incurred, directly or indirectly, to the same foreign
18 person. This subparagraph (V) is exempt from the
19 provisions of Section 250;

20 (W) in the case of an estate, an amount equal to
21 all amounts included in such total pursuant to the
22 provisions of Section 111 of the Internal Revenue Code
23 as a recovery of items previously deducted by the
24 decedent from adjusted gross income in the computation
25 of taxable income. This subparagraph (W) is exempt from
26 Section 250;

1 (X) an amount equal to the refund included in such
2 total of any tax deducted for federal income tax
3 purposes, to the extent that deduction was added back
4 under subparagraph (F). This subparagraph (X) is
5 exempt from the provisions of Section 250; and

6 (Y) For taxable years ending on or after December
7 31, 2011, in the case of a taxpayer who was required to
8 add back any insurance premiums under Section
9 203(c)(2)(G-14), such taxpayer may elect to subtract
10 that part of a reimbursement received from the
11 insurance company equal to the amount of the expense or
12 loss (including expenses incurred by the insurance
13 company) that would have been taken into account as a
14 deduction for federal income tax purposes if the
15 expense or loss had been uninsured. If a taxpayer makes
16 the election provided for by this subparagraph (Y), the
17 insurer to which the premiums were paid must add back
18 to income the amount subtracted by the taxpayer
19 pursuant to this subparagraph (Y). This subparagraph
20 (Y) is exempt from the provisions of Section 250.

21 (3) Limitation. The amount of any modification
22 otherwise required under this subsection shall, under
23 regulations prescribed by the Department, be adjusted by
24 any amounts included therein which were properly paid,
25 credited, or required to be distributed, or permanently set
26 aside for charitable purposes pursuant to Internal Revenue

1 Code Section 642(c) during the taxable year.

2 (d) Partnerships.

3 (1) In general. In the case of a partnership, base
4 income means an amount equal to the taxpayer's taxable
5 income for the taxable year as modified by paragraph (2).

6 (2) Modifications. The taxable income referred to in
7 paragraph (1) shall be modified by adding thereto the sum
8 of the following amounts:

9 (A) An amount equal to all amounts paid or accrued
10 to the taxpayer as interest or dividends during the
11 taxable year to the extent excluded from gross income
12 in the computation of taxable income;

13 (B) An amount equal to the amount of tax imposed by
14 this Act to the extent deducted from gross income for
15 the taxable year;

16 (C) The amount of deductions allowed to the
17 partnership pursuant to Section 707 (c) of the Internal
18 Revenue Code in calculating its taxable income;

19 (D) An amount equal to the amount of the capital
20 gain deduction allowable under the Internal Revenue
21 Code, to the extent deducted from gross income in the
22 computation of taxable income;

23 (D-5) For taxable years 2001 and thereafter, an
24 amount equal to the bonus depreciation deduction taken
25 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the
2 Internal Revenue Code;

3 (D-6) If the taxpayer sells, transfers, abandons,
4 or otherwise disposes of property for which the
5 taxpayer was required in any taxable year to make an
6 addition modification under subparagraph (D-5), then
7 an amount equal to the aggregate amount of the
8 deductions taken in all taxable years under
9 subparagraph (O) with respect to that property.

10 If the taxpayer continues to own property through
11 the last day of the last tax year for which the
12 taxpayer may claim a depreciation deduction for
13 federal income tax purposes and for which the taxpayer
14 was allowed in any taxable year to make a subtraction
15 modification under subparagraph (O), then an amount
16 equal to that subtraction modification.

17 The taxpayer is required to make the addition
18 modification under this subparagraph only once with
19 respect to any one piece of property;

20 (D-7) An amount equal to the amount otherwise
21 allowed as a deduction in computing base income for
22 interest paid, accrued, or incurred, directly or
23 indirectly, (i) for taxable years ending on or after
24 December 31, 2004, to a foreign person who would be a
25 member of the same unitary business group but for the
26 fact the foreign person's business activity outside

1 the United States is 80% or more of the foreign
2 person's total business activity and (ii) for taxable
3 years ending on or after December 31, 2008, to a person
4 who would be a member of the same unitary business
5 group but for the fact that the person is prohibited
6 under Section 1501(a)(27) from being included in the
7 unitary business group because he or she is ordinarily
8 required to apportion business income under different
9 subsections of Section 304. The addition modification
10 required by this subparagraph shall be reduced to the
11 extent that dividends were included in base income of
12 the unitary group for the same taxable year and
13 received by the taxpayer or by a member of the
14 taxpayer's unitary business group (including amounts
15 included in gross income pursuant to Sections 951
16 through 964 of the Internal Revenue Code and amounts
17 included in gross income under Section 78 of the
18 Internal Revenue Code) with respect to the stock of the
19 same person to whom the interest was paid, accrued, or
20 incurred.

21 This paragraph shall not apply to the following:

22 (i) an item of interest paid, accrued, or
23 incurred, directly or indirectly, to a person who
24 is subject in a foreign country or state, other
25 than a state which requires mandatory unitary
26 reporting, to a tax on or measured by net income

1 with respect to such interest; or

2 (ii) an item of interest paid, accrued, or
3 incurred, directly or indirectly, to a person if
4 the taxpayer can establish, based on a
5 preponderance of the evidence, both of the
6 following:

7 (a) the person, during the same taxable
8 year, paid, accrued, or incurred, the interest
9 to a person that is not a related member, and

10 (b) the transaction giving rise to the
11 interest expense between the taxpayer and the
12 person did not have as a principal purpose the
13 avoidance of Illinois income tax, and is paid
14 pursuant to a contract or agreement that
15 reflects an arm's-length interest rate and
16 terms; or

17 (iii) the taxpayer can establish, based on
18 clear and convincing evidence, that the interest
19 paid, accrued, or incurred relates to a contract or
20 agreement entered into at arm's-length rates and
21 terms and the principal purpose for the payment is
22 not federal or Illinois tax avoidance; or

23 (iv) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a person if
25 the taxpayer establishes by clear and convincing
26 evidence that the adjustments are unreasonable; or

1 if the taxpayer and the Director agree in writing
2 to the application or use of an alternative method
3 of apportionment under Section 304(f).

4 Nothing in this subsection shall preclude the
5 Director from making any other adjustment
6 otherwise allowed under Section 404 of this Act for
7 any tax year beginning after the effective date of
8 this amendment provided such adjustment is made
9 pursuant to regulation adopted by the Department
10 and such regulations provide methods and standards
11 by which the Department will utilize its authority
12 under Section 404 of this Act; and

13 (D-8) An amount equal to the amount of intangible
14 expenses and costs otherwise allowed as a deduction in
15 computing base income, and that were paid, accrued, or
16 incurred, directly or indirectly, (i) for taxable
17 years ending on or after December 31, 2004, to a
18 foreign person who would be a member of the same
19 unitary business group but for the fact that the
20 foreign person's business activity outside the United
21 States is 80% or more of that person's total business
22 activity and (ii) for taxable years ending on or after
23 December 31, 2008, to a person who would be a member of
24 the same unitary business group but for the fact that
25 the person is prohibited under Section 1501(a)(27)
26 from being included in the unitary business group

1 because he or she is ordinarily required to apportion
2 business income under different subsections of Section
3 304. The addition modification required by this
4 subparagraph shall be reduced to the extent that
5 dividends were included in base income of the unitary
6 group for the same taxable year and received by the
7 taxpayer or by a member of the taxpayer's unitary
8 business group (including amounts included in gross
9 income pursuant to Sections 951 through 964 of the
10 Internal Revenue Code and amounts included in gross
11 income under Section 78 of the Internal Revenue Code)
12 with respect to the stock of the same person to whom
13 the intangible expenses and costs were directly or
14 indirectly paid, incurred or accrued. The preceding
15 sentence shall not apply to the extent that the same
16 dividends caused a reduction to the addition
17 modification required under Section 203(d)(2)(D-7) of
18 this Act. As used in this subparagraph, the term
19 "intangible expenses and costs" includes (1) expenses,
20 losses, and costs for, or related to, the direct or
21 indirect acquisition, use, maintenance or management,
22 ownership, sale, exchange, or any other disposition of
23 intangible property; (2) losses incurred, directly or
24 indirectly, from factoring transactions or discounting
25 transactions; (3) royalty, patent, technical, and
26 copyright fees; (4) licensing fees; and (5) other

1 similar expenses and costs. For purposes of this
2 subparagraph, "intangible property" includes patents,
3 patent applications, trade names, trademarks, service
4 marks, copyrights, mask works, trade secrets, and
5 similar types of intangible assets;

6 This paragraph shall not apply to the following:

7 (i) any item of intangible expenses or costs
8 paid, accrued, or incurred, directly or
9 indirectly, from a transaction with a person who is
10 subject in a foreign country or state, other than a
11 state which requires mandatory unitary reporting,
12 to a tax on or measured by net income with respect
13 to such item; or

14 (ii) any item of intangible expense or cost
15 paid, accrued, or incurred, directly or
16 indirectly, if the taxpayer can establish, based
17 on a preponderance of the evidence, both of the
18 following:

19 (a) the person during the same taxable
20 year paid, accrued, or incurred, the
21 intangible expense or cost to a person that is
22 not a related member, and

23 (b) the transaction giving rise to the
24 intangible expense or cost between the
25 taxpayer and the person did not have as a
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract
2 or agreement that reflects arm's-length terms;
3 or

4 (iii) any item of intangible expense or cost
5 paid, accrued, or incurred, directly or
6 indirectly, from a transaction with a person if the
7 taxpayer establishes by clear and convincing
8 evidence, that the adjustments are unreasonable;
9 or if the taxpayer and the Director agree in
10 writing to the application or use of an alternative
11 method of apportionment under Section 304(f);

12 Nothing in this subsection shall preclude the
13 Director from making any other adjustment
14 otherwise allowed under Section 404 of this Act for
15 any tax year beginning after the effective date of
16 this amendment provided such adjustment is made
17 pursuant to regulation adopted by the Department
18 and such regulations provide methods and standards
19 by which the Department will utilize its authority
20 under Section 404 of this Act;

21 (D-9) For taxable years ending on or after December
22 31, 2008, an amount equal to the amount of insurance
23 premium expenses and costs otherwise allowed as a
24 deduction in computing base income, and that were paid,
25 accrued, or incurred, directly or indirectly, to a
26 person who would be a member of the same unitary

1 business group but for the fact that the person is
2 prohibited under Section 1501(a)(27) from being
3 included in the unitary business group because he or
4 she is ordinarily required to apportion business
5 income under different subsections of Section 304. The
6 addition modification required by this subparagraph
7 shall be reduced to the extent that dividends were
8 included in base income of the unitary group for the
9 same taxable year and received by the taxpayer or by a
10 member of the taxpayer's unitary business group
11 (including amounts included in gross income under
12 Sections 951 through 964 of the Internal Revenue Code
13 and amounts included in gross income under Section 78
14 of the Internal Revenue Code) with respect to the stock
15 of the same person to whom the premiums and costs were
16 directly or indirectly paid, incurred, or accrued. The
17 preceding sentence does not apply to the extent that
18 the same dividends caused a reduction to the addition
19 modification required under Section 203(d)(2)(D-7) or
20 Section 203(d)(2)(D-8) of this Act;

21 (D-10) An amount equal to the credit allowable to
22 the taxpayer under Section 218(a) of this Act,
23 determined without regard to Section 218(c) of this
24 Act;

25 (D-11) For taxable years ending on or after
26 December 31, 2016, an amount equal to the deduction

1 allowed under Section 199 of the Internal Revenue Code
2 for the taxable year;

3 and by deducting from the total so obtained the following
4 amounts:

5 (E) The valuation limitation amount;

6 (F) An amount equal to the amount of any tax
7 imposed by this Act which was refunded to the taxpayer
8 and included in such total for the taxable year;

9 (G) An amount equal to all amounts included in
10 taxable income as modified by subparagraphs (A), (B),
11 (C) and (D) which are exempt from taxation by this
12 State either by reason of its statutes or Constitution
13 or by reason of the Constitution, treaties or statutes
14 of the United States; provided that, in the case of any
15 statute of this State that exempts income derived from
16 bonds or other obligations from the tax imposed under
17 this Act, the amount exempted shall be the interest net
18 of bond premium amortization;

19 (H) Any income of the partnership which
20 constitutes personal service income as defined in
21 Section 1348 (b) (1) of the Internal Revenue Code (as
22 in effect December 31, 1981) or a reasonable allowance
23 for compensation paid or accrued for services rendered
24 by partners to the partnership, whichever is greater;
25 this subparagraph (H) is exempt from the provisions of
26 Section 250;

1 (I) An amount equal to all amounts of income
2 distributable to an entity subject to the Personal
3 Property Tax Replacement Income Tax imposed by
4 subsections (c) and (d) of Section 201 of this Act
5 including amounts distributable to organizations
6 exempt from federal income tax by reason of Section
7 501(a) of the Internal Revenue Code; this subparagraph
8 (I) is exempt from the provisions of Section 250;

9 (J) With the exception of any amounts subtracted
10 under subparagraph (G), an amount equal to the sum of
11 all amounts disallowed as deductions by (i) Sections
12 171(a) (2), and 265(2) of the Internal Revenue Code,
13 and all amounts of expenses allocable to interest and
14 disallowed as deductions by Section 265(1) of the
15 Internal Revenue Code; and (ii) for taxable years
16 ending on or after August 13, 1999, Sections 171(a) (2),
17 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
18 Code, plus, (iii) for taxable years ending on or after
19 December 31, 2011, Section 45G(e) (3) of the Internal
20 Revenue Code and, for taxable years ending on or after
21 December 31, 2008, any amount included in gross income
22 under Section 87 of the Internal Revenue Code; the
23 provisions of this subparagraph are exempt from the
24 provisions of Section 250;

25 (K) An amount equal to those dividends included in
26 such total which were paid by a corporation which

1 conducts business operations in a River Edge
2 Redevelopment Zone or zones created under the River
3 Edge Redevelopment Zone Act and conducts substantially
4 all of its operations from a River Edge Redevelopment
5 Zone or zones. This subparagraph (K) is exempt from the
6 provisions of Section 250;

7 (L) An amount equal to any contribution made to a
8 job training project established pursuant to the Real
9 Property Tax Increment Allocation Redevelopment Act;

10 (M) An amount equal to those dividends included in
11 such total that were paid by a corporation that
12 conducts business operations in a federally designated
13 Foreign Trade Zone or Sub-Zone and that is designated a
14 High Impact Business located in Illinois; provided
15 that dividends eligible for the deduction provided in
16 subparagraph (K) of paragraph (2) of this subsection
17 shall not be eligible for the deduction provided under
18 this subparagraph (M);

19 (N) An amount equal to the amount of the deduction
20 used to compute the federal income tax credit for
21 restoration of substantial amounts held under claim of
22 right for the taxable year pursuant to Section 1341 of
23 the Internal Revenue Code;

24 (O) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

4 (1) "y" equals the amount of the depreciation
5 deduction taken for the taxable year on the
6 taxpayer's federal income tax return on property
7 for which the bonus depreciation deduction was
8 taken in any year under subsection (k) of Section
9 168 of the Internal Revenue Code, but not including
10 the bonus depreciation deduction;

11 (2) for taxable years ending on or before
12 December 31, 2005, "x" equals "y" multiplied by 30
13 and then divided by 70 (or "y" multiplied by
14 0.429); and

15 (3) for taxable years ending after December
16 31, 2005:

17 (i) for property on which a bonus
18 depreciation deduction of 30% of the adjusted
19 basis was taken, "x" equals "y" multiplied by
20 30 and then divided by 70 (or "y" multiplied by
21 0.429); and

22 (ii) for property on which a bonus
23 depreciation deduction of 50% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 1.0.

26 The aggregate amount deducted under this

1 subparagraph in all taxable years for any one piece of
2 property may not exceed the amount of the bonus
3 depreciation deduction taken on that property on the
4 taxpayer's federal income tax return under subsection
5 (k) of Section 168 of the Internal Revenue Code. This
6 subparagraph (O) is exempt from the provisions of
7 Section 250;

8 (P) If the taxpayer sells, transfers, abandons, or
9 otherwise disposes of property for which the taxpayer
10 was required in any taxable year to make an addition
11 modification under subparagraph (D-5), then an amount
12 equal to that addition modification.

13 If the taxpayer continues to own property through
14 the last day of the last tax year for which the
15 taxpayer may claim a depreciation deduction for
16 federal income tax purposes and for which the taxpayer
17 was required in any taxable year to make an addition
18 modification under subparagraph (D-5), then an amount
19 equal to that addition modification.

20 The taxpayer is allowed to take the deduction under
21 this subparagraph only once with respect to any one
22 piece of property.

23 This subparagraph (P) is exempt from the
24 provisions of Section 250;

25 (Q) The amount of (i) any interest income (net of
26 the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction with
2 a taxpayer that is required to make an addition
3 modification with respect to such transaction under
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
6 the amount of such addition modification and (ii) any
7 income from intangible property (net of the deductions
8 allocable thereto) taken into account for the taxable
9 year with respect to a transaction with a taxpayer that
10 is required to make an addition modification with
11 respect to such transaction under Section
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
13 203(d)(2)(D-8), but not to exceed the amount of such
14 addition modification. This subparagraph (Q) is exempt
15 from Section 250;

16 (R) An amount equal to the interest income taken
17 into account for the taxable year (net of the
18 deductions allocable thereto) with respect to
19 transactions with (i) a foreign person who would be a
20 member of the taxpayer's unitary business group but for
21 the fact that the foreign person's business activity
22 outside the United States is 80% or more of that
23 person's total business activity and (ii) for taxable
24 years ending on or after December 31, 2008, to a person
25 who would be a member of the same unitary business
26 group but for the fact that the person is prohibited

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304, but not to exceed the
5 addition modification required to be made for the same
6 taxable year under Section 203(d)(2)(D-7) for interest
7 paid, accrued, or incurred, directly or indirectly, to
8 the same person. This subparagraph (R) is exempt from
9 Section 250;

10 (S) An amount equal to the income from intangible
11 property taken into account for the taxable year (net
12 of the deductions allocable thereto) with respect to
13 transactions with (i) a foreign person who would be a
14 member of the taxpayer's unitary business group but for
15 the fact that the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304, but not to exceed the
25 addition modification required to be made for the same
26 taxable year under Section 203(d)(2)(D-8) for

1 intangible expenses and costs paid, accrued, or
2 incurred, directly or indirectly, to the same person.

3 This subparagraph (S) is exempt from Section 250; and

4 (T) For taxable years ending on or after December
5 31, 2011, in the case of a taxpayer who was required to
6 add back any insurance premiums under Section
7 203(d)(2)(D-9), such taxpayer may elect to subtract
8 that part of a reimbursement received from the
9 insurance company equal to the amount of the expense or
10 loss (including expenses incurred by the insurance
11 company) that would have been taken into account as a
12 deduction for federal income tax purposes if the
13 expense or loss had been uninsured. If a taxpayer makes
14 the election provided for by this subparagraph (T), the
15 insurer to which the premiums were paid must add back
16 to income the amount subtracted by the taxpayer
17 pursuant to this subparagraph (T). This subparagraph
18 (T) is exempt from the provisions of Section 250.

19 (e) Gross income; adjusted gross income; taxable income.

20 (1) In general. Subject to the provisions of paragraph
21 (2) and subsection (b) (3), for purposes of this Section
22 and Section 803(e), a taxpayer's gross income, adjusted
23 gross income, or taxable income for the taxable year shall
24 mean the amount of gross income, adjusted gross income or
25 taxable income properly reportable for federal income tax

1 purposes for the taxable year under the provisions of the
2 Internal Revenue Code. Taxable income may be less than
3 zero. However, for taxable years ending on or after
4 December 31, 1986, net operating loss carryforwards from
5 taxable years ending prior to December 31, 1986, may not
6 exceed the sum of federal taxable income for the taxable
7 year before net operating loss deduction, plus the excess
8 of addition modifications over subtraction modifications
9 for the taxable year. For taxable years ending prior to
10 December 31, 1986, taxable income may never be an amount in
11 excess of the net operating loss for the taxable year as
12 defined in subsections (c) and (d) of Section 172 of the
13 Internal Revenue Code, provided that when taxable income of
14 a corporation (other than a Subchapter S corporation),
15 trust, or estate is less than zero and addition
16 modifications, other than those provided by subparagraph
17 (E) of paragraph (2) of subsection (b) for corporations or
18 subparagraph (E) of paragraph (2) of subsection (c) for
19 trusts and estates, exceed subtraction modifications, an
20 addition modification must be made under those
21 subparagraphs for any other taxable year to which the
22 taxable income less than zero (net operating loss) is
23 applied under Section 172 of the Internal Revenue Code or
24 under subparagraph (E) of paragraph (2) of this subsection
25 (e) applied in conjunction with Section 172 of the Internal
26 Revenue Code.

1 (2) Special rule. For purposes of paragraph (1) of this
2 subsection, the taxable income properly reportable for
3 federal income tax purposes shall mean:

4 (A) Certain life insurance companies. In the case
5 of a life insurance company subject to the tax imposed
6 by Section 801 of the Internal Revenue Code, life
7 insurance company taxable income, plus the amount of
8 distribution from pre-1984 policyholder surplus
9 accounts as calculated under Section 815a of the
10 Internal Revenue Code;

11 (B) Certain other insurance companies. In the case
12 of mutual insurance companies subject to the tax
13 imposed by Section 831 of the Internal Revenue Code,
14 insurance company taxable income;

15 (C) Regulated investment companies. In the case of
16 a regulated investment company subject to the tax
17 imposed by Section 852 of the Internal Revenue Code,
18 investment company taxable income;

19 (D) Real estate investment trusts. In the case of a
20 real estate investment trust subject to the tax imposed
21 by Section 857 of the Internal Revenue Code, real
22 estate investment trust taxable income;

23 (E) Consolidated corporations. In the case of a
24 corporation which is a member of an affiliated group of
25 corporations filing a consolidated income tax return
26 for the taxable year for federal income tax purposes,

1 taxable income determined as if such corporation had
2 filed a separate return for federal income tax purposes
3 for the taxable year and each preceding taxable year
4 for which it was a member of an affiliated group. For
5 purposes of this subparagraph, the taxpayer's separate
6 taxable income shall be determined as if the election
7 provided by Section 243(b) (2) of the Internal Revenue
8 Code had been in effect for all such years;

9 (F) Cooperatives. In the case of a cooperative
10 corporation or association, the taxable income of such
11 organization determined in accordance with the
12 provisions of Section 1381 through 1388 of the Internal
13 Revenue Code, but without regard to the prohibition
14 against offsetting losses from patronage activities
15 against income from nonpatronage activities; except
16 that a cooperative corporation or association may make
17 an election to follow its federal income tax treatment
18 of patronage losses and nonpatronage losses. In the
19 event such election is made, such losses shall be
20 computed and carried over in a manner consistent with
21 subsection (a) of Section 207 of this Act and
22 apportioned by the apportionment factor reported by
23 the cooperative on its Illinois income tax return filed
24 for the taxable year in which the losses are incurred.
25 The election shall be effective for all taxable years
26 with original returns due on or after the date of the

1 election. In addition, the cooperative may file an
2 amended return or returns, as allowed under this Act,
3 to provide that the election shall be effective for
4 losses incurred or carried forward for taxable years
5 occurring prior to the date of the election. Once made,
6 the election may only be revoked upon approval of the
7 Director. The Department shall adopt rules setting
8 forth requirements for documenting the elections and
9 any resulting Illinois net loss and the standards to be
10 used by the Director in evaluating requests to revoke
11 elections. Public Act 96-932 is declaratory of
12 existing law;

13 (G) Subchapter S corporations. In the case of: (i)
14 a Subchapter S corporation for which there is in effect
15 an election for the taxable year under Section 1362 of
16 the Internal Revenue Code, the taxable income of such
17 corporation determined in accordance with Section
18 1363(b) of the Internal Revenue Code, except that
19 taxable income shall take into account those items
20 which are required by Section 1363(b)(1) of the
21 Internal Revenue Code to be separately stated; and (ii)
22 a Subchapter S corporation for which there is in effect
23 a federal election to opt out of the provisions of the
24 Subchapter S Revision Act of 1982 and have applied
25 instead the prior federal Subchapter S rules as in
26 effect on July 1, 1982, the taxable income of such

1 corporation determined in accordance with the federal
2 Subchapter S rules as in effect on July 1, 1982; and

3 (H) Partnerships. In the case of a partnership,
4 taxable income determined in accordance with Section
5 703 of the Internal Revenue Code, except that taxable
6 income shall take into account those items which are
7 required by Section 703(a)(1) to be separately stated
8 but which would be taken into account by an individual
9 in calculating his taxable income.

10 (3) Recapture of business expenses on disposition of
11 asset or business. Notwithstanding any other law to the
12 contrary, if in prior years income from an asset or
13 business has been classified as business income and in a
14 later year is demonstrated to be non-business income, then
15 all expenses, without limitation, deducted in such later
16 year and in the 2 immediately preceding taxable years
17 related to that asset or business that generated the
18 non-business income shall be added back and recaptured as
19 business income in the year of the disposition of the asset
20 or business. Such amount shall be apportioned to Illinois
21 using the greater of the apportionment fraction computed
22 for the business under Section 304 of this Act for the
23 taxable year or the average of the apportionment fractions
24 computed for the business under Section 304 of this Act for
25 the taxable year and for the 2 immediately preceding
26 taxable years.

1 (f) Valuation limitation amount.

2 (1) In general. The valuation limitation amount
3 referred to in subsections (a) (2) (G), (c) (2) (I) and
4 (d) (2) (E) is an amount equal to:

5 (A) The sum of the pre-August 1, 1969 appreciation
6 amounts (to the extent consisting of gain reportable
7 under the provisions of Section 1245 or 1250 of the
8 Internal Revenue Code) for all property in respect of
9 which such gain was reported for the taxable year; plus

10 (B) The lesser of (i) the sum of the pre-August 1,
11 1969 appreciation amounts (to the extent consisting of
12 capital gain) for all property in respect of which such
13 gain was reported for federal income tax purposes for
14 the taxable year, or (ii) the net capital gain for the
15 taxable year, reduced in either case by any amount of
16 such gain included in the amount determined under
17 subsection (a) (2) (F) or (c) (2) (H).

18 (2) Pre-August 1, 1969 appreciation amount.

19 (A) If the fair market value of property referred
20 to in paragraph (1) was readily ascertainable on August
21 1, 1969, the pre-August 1, 1969 appreciation amount for
22 such property is the lesser of (i) the excess of such
23 fair market value over the taxpayer's basis (for
24 determining gain) for such property on that date
25 (determined under the Internal Revenue Code as in

1 effect on that date), or (ii) the total gain realized
2 and reportable for federal income tax purposes in
3 respect of the sale, exchange or other disposition of
4 such property.

5 (B) If the fair market value of property referred
6 to in paragraph (1) was not readily ascertainable on
7 August 1, 1969, the pre-August 1, 1969 appreciation
8 amount for such property is that amount which bears the
9 same ratio to the total gain reported in respect of the
10 property for federal income tax purposes for the
11 taxable year, as the number of full calendar months in
12 that part of the taxpayer's holding period for the
13 property ending July 31, 1969 bears to the number of
14 full calendar months in the taxpayer's entire holding
15 period for the property.

16 (C) The Department shall prescribe such
17 regulations as may be necessary to carry out the
18 purposes of this paragraph.

19 (g) Double deductions. Unless specifically provided
20 otherwise, nothing in this Section shall permit the same item
21 to be deducted more than once.

22 (h) Legislative intention. Except as expressly provided by
23 this Section there shall be no modifications or limitations on
24 the amounts of income, gain, loss or deduction taken into

1 account in determining gross income, adjusted gross income or
2 taxable income for federal income tax purposes for the taxable
3 year, or in the amount of such items entering into the
4 computation of base income and net income under this Act for
5 such taxable year, whether in respect of property values as of
6 August 1, 1969 or otherwise.

7 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
8 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
9 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
10 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
11 eff. 8-23-11; 97-905, eff. 8-7-12.)

12 Section 10. The Use Tax Act is amended by changing Sections
13 3-5, 3-50, and 3-85 as follows:

14 (35 ILCS 105/3-5)

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

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

24 (2) Personal property purchased by a not-for-profit

1 Illinois county fair association for use in conducting,
2 operating, or promoting the county fair.

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

18 (4) Personal property purchased by a governmental body, by
19 a corporation, society, association, foundation, or
20 institution organized and operated exclusively for charitable,
21 religious, or educational purposes, or by a not-for-profit
22 corporation, society, association, foundation, institution, or
23 organization that has no compensated officers or employees and
24 that is organized and operated primarily for the recreation of
25 persons 55 years of age or older. A limited liability company
26 may qualify for the exemption under this paragraph only if the

1 limited liability company is organized and operated
2 exclusively for educational purposes. On and after July 1,
3 1987, however, no entity otherwise eligible for this exemption
4 shall make tax-free purchases unless it has an active exemption
5 identification number issued by the Department.

6 (5) Until July 1, 2003, a passenger car that is a
7 replacement vehicle to the extent that the purchase price of
8 the car is subject to the Replacement Vehicle Tax.

9 (6) Until July 1, 2003 and beginning again on September 1,
10 2004 through August 30, 2014, graphic arts machinery and
11 equipment, including repair and replacement parts, both new and
12 used, and including that manufactured on special order,
13 certified by the purchaser to be used primarily for graphic
14 arts production, and including machinery and equipment
15 purchased for lease. Equipment includes chemicals or chemicals
16 acting as catalysts but only if the chemicals or chemicals
17 acting as catalysts effect a direct and immediate change upon a
18 graphic arts product. Beginning on August 31, 2014, graphic
19 arts machinery and equipment is included in the manufacturing
20 and assembling machinery and equipment exemption under
21 paragraph (18).

22 (7) Farm chemicals.

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

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

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

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

26 Farm machinery and equipment shall include precision

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

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

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

23 Beginning July 1, 2013, fuel and petroleum products sold to
24 or used by an air carrier, certified by the carrier to be used
25 for consumption, shipment, or storage in the conduct of its
26 business as an air common carrier, for a flight that (i) is

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

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

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

24 (15) Photoprocessing machinery and equipment, including
25 repair and replacement parts, both new and used, including that
26 manufactured on special order, certified by the purchaser to be

1 used primarily for photoprocessing, and including
2 photoprocessing machinery and equipment purchased for lease.

3 (16) Coal and aggregate exploration, mining, off-highway
4 hauling, processing, maintenance, and reclamation equipment,
5 including replacement parts and equipment, and including
6 equipment purchased for lease, but excluding motor vehicles
7 required to be registered under the Illinois Vehicle Code. The
8 changes made to this Section by Public Act 97-767 apply on and
9 after July 1, 2003, but no claim for credit or refund is
10 allowed on or after August 16, 2013 (the effective date of
11 Public Act 98-456) for such taxes paid during the period
12 beginning July 1, 2003 and ending on August 16, 2013 (the
13 effective date of Public Act 98-456). This item (16) is exempt
14 from the provisions of Section 3-90.

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

21 (18) Manufacturing and assembling machinery and equipment
22 used primarily in the process of manufacturing or assembling
23 tangible personal property for wholesale or retail sale or
24 lease, whether that sale or lease is made directly by the
25 manufacturer or by some other person, whether the materials
26 used in the process are owned by the manufacturer or some other

1 person, or whether that sale or lease is made apart from or as
2 an incident to the seller's engaging in the service occupation
3 of producing machines, tools, dies, jigs, patterns, gauges, or
4 other similar items of no commercial value on special order for
5 a particular purchaser. The exemption provided by this
6 paragraph (18) does not include machinery and equipment used in
7 (i) the generation of electricity for wholesale or retail sale;
8 (ii) the generation or treatment of natural or artificial gas
9 for wholesale or retail sale that is delivered to customers
10 through pipes, pipelines, or mains; or (iii) the treatment of
11 water for wholesale or retail sale that is delivered to
12 customers through pipes, pipelines, or mains. The provisions of
13 Public Act 98-583 are declaratory of existing law as to the
14 meaning and scope of this exemption. Beginning on August 31,
15 2014, manufacturing and assembling machinery and equipment
16 also includes, but is not limited to, graphic arts machinery
17 and equipment, as defined in paragraph (6) of this Section, and
18 production related tangible personal property, as defined in
19 Section 3-50. The exemption provided by this paragraph (18) is
20 exempt from the provisions of Section 3-90.

21 (19) Personal property delivered to a purchaser or
22 purchaser's donee inside Illinois when the purchase order for
23 that personal property was received by a florist located
24 outside Illinois who has a florist located inside Illinois
25 deliver the personal property.

26 (20) Semen used for artificial insemination of livestock

1 for direct agricultural production.

2 (21) Horses, or interests in horses, registered with and
3 meeting the requirements of any of the Arabian Horse Club
4 Registry of America, Appaloosa Horse Club, American Quarter
5 Horse Association, United States Trotting Association, or
6 Jockey Club, as appropriate, used for purposes of breeding or
7 racing for prizes. This item (21) is exempt from the provisions
8 of Section 3-90, and the exemption provided for under this item
9 (21) applies for all periods beginning May 30, 1995, but no
10 claim for credit or refund is allowed on or after January 1,
11 2008 for such taxes paid during the period beginning May 30,
12 2000 and ending on January 1, 2008.

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

1 or attempt to collect an amount (however designated) that
2 purports to reimburse that lessor for the tax imposed by this
3 Act or the Service Use Tax Act, as the case may be, if the tax
4 has not been paid by the lessor. If a lessor improperly
5 collects any such amount from the lessee, the lessee shall have
6 a legal right to claim a refund of that amount from the lessor.
7 If, however, that amount is not refunded to the lessee for any
8 reason, the lessor is liable to pay that amount to the
9 Department.

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

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

4 (24) 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 (25) 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 (26) Beginning July 1, 1999, game or game birds purchased

1 at a "game breeding and hunting preserve area" as that term is
2 used in the Wildlife Code. This paragraph is exempt from the
3 provisions of Section 3-90.

4 (27) 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 (28) 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 3-90.

10 (29) 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 3-90.

20 (30) Beginning January 1, 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 in a licensed facility as defined
5 in the ID/DD Community Care Act, the MC/DD Act, or the
6 Specialized Mental Health Rehabilitation Act of 2013.

7 (31) Beginning on the effective date of this amendatory Act
8 of the 92nd General Assembly, computers and communications
9 equipment utilized for any hospital purpose and equipment used
10 in the diagnosis, analysis, or treatment of hospital patients
11 purchased by a lessor who leases the equipment, under a lease
12 of one year or longer executed or in effect at the time the
13 lessor would otherwise be subject to the tax imposed by this
14 Act, to a 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 nonexempt 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 nonqualifying 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. This paragraph is exempt from the provisions of
5 Section 3-90.

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

1 pay that amount to the Department. This paragraph is exempt
2 from the provisions of Section 3-90.

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

22 (34) Beginning January 1, 2008, tangible personal property
23 used in the construction or maintenance of a community water
24 supply, as defined under Section 3.145 of the Environmental
25 Protection Act, that is operated by a not-for-profit
26 corporation that holds a valid water supply permit issued under

1 Title IV of the Environmental Protection Act. This paragraph is
2 exempt from the provisions of Section 3-90.

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

1 of the Federal Aviation Regulations. The changes made to this
2 paragraph (35) by Public Act 98-534 are declarative of existing
3 law.

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

18 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
19 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
20 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
21 7-29-15.)

22 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

23 Sec. 3-50. Manufacturing and assembly exemption. The
24 manufacturing and assembling machinery and equipment exemption
25 includes machinery and equipment that replaces machinery and

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

22 (1) "Manufacturing process" means the production of an
23 article of tangible personal property, whether the article
24 is a finished product or an article for use in the process
25 of manufacturing or assembling a different article of
26 tangible personal property, by a procedure commonly

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

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

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

24 (4) "Equipment" includes an independent device or tool
25 separate from machinery but essential to an integrated
26 manufacturing or assembly process; including computers

1 used primarily in a manufacturer's computer assisted
2 design, computer assisted manufacturing (CAD/CAM) system;
3 any subunit or assembly comprising a component of any
4 machinery or auxiliary, adjunct, or attachment parts of
5 machinery, such as tools, dies, jigs, fixtures, patterns,
6 and molds; and any parts that require periodic replacement
7 in the course of normal operation; but does not include
8 hand tools. 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
11 upon a product being manufactured or assembled for
12 wholesale or retail sale or lease.

13 (5) "Production related tangible personal property"
14 means all tangible personal property that is used or
15 consumed by the purchaser in a manufacturing facility in
16 which a manufacturing process described in Section 2-45 of
17 the Retailers' Occupation Tax Act takes place, including
18 ~~and includes, without limitation,~~ tangible personal
19 property that is purchased for incorporation into real
20 estate within a manufacturing facility and including, but
21 not limited to, tangible personal property that is used or
22 consumed in activities such as ~~research and development,~~
23 preproduction material handling, receiving, quality
24 control, inventory control, storage, staging, and
25 packaging for shipping and transportation purposes.
26 Tangible personal property used or consumed by the

1 purchaser for research and development is considered
2 "production related tangible personal property" regardless
3 of use within or without a manufacturing facility.

4 "Production related tangible personal property" does not
5 include (i) tangible personal property that is used, within
6 or without a manufacturing facility, in sales, purchasing,
7 accounting, fiscal management, marketing, personnel
8 recruitment or selection, or landscaping or (ii) tangible
9 personal property that is required to be titled or
10 registered with a department, agency, or unit of federal,
11 State, or local government.

12 ~~The manufacturing and assembling machinery and equipment~~
13 ~~exemption includes production related tangible personal~~
14 ~~property that is purchased on or after July 1, 2007 and on or~~
15 ~~before June 30, 2008. The exemption for production related~~
16 ~~tangible personal property is subject to both of the following~~
17 ~~limitations:~~

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

26 ~~(2) The maximum aggregate amount of the exemptions for~~

1 ~~production related tangible personal property awarded~~
2 ~~under this Act and the Retailers' Occupation Tax Act to all~~
3 ~~taxpayers may not exceed \$10,000,000. If the claims for the~~
4 ~~exemption exceed \$10,000,000, then the Department shall~~
5 ~~reduce the amount of the exemption to each taxpayer on a~~
6 ~~pro rata basis.~~

7 ~~The Department may adopt rules to implement and administer the~~
8 ~~exemption for production related tangible personal property.~~

9 The manufacturing and assembling machinery and equipment
10 exemption includes the sale of materials to a purchaser who
11 produces exempted types of machinery, equipment, or tools and
12 who rents or leases that machinery, equipment, or tools to a
13 manufacturer of tangible personal property. This exemption
14 also includes the sale of materials to a purchaser who
15 manufactures those materials into an exempted type of
16 machinery, equipment, or tools that the purchaser uses himself
17 or herself in the manufacturing of tangible personal property.
18 This exemption includes the sale of exempted types of machinery
19 or equipment to a purchaser who is not the manufacturer, but
20 who rents or leases the use of the property to a manufacturer.
21 The purchaser of the machinery and equipment who has an active
22 resale registration number shall furnish that number to the
23 seller at the time of purchase. A user of the machinery,
24 equipment, or tools without an active resale registration
25 number shall prepare a certificate of exemption for each
26 transaction stating facts establishing the exemption for that

1 transaction, and that certificate shall be available to the
2 Department for inspection or audit. The Department shall
3 prescribe the form of the certificate. Informal rulings,
4 opinions, or letters issued by the Department in response to an
5 inquiry or request for an opinion from any person regarding the
6 coverage and applicability of this exemption to specific
7 devices shall be published, maintained as a public record, and
8 made available for public inspection and copying. If the
9 informal ruling, opinion, or letter contains trade secrets or
10 other confidential information, where possible, the Department
11 shall delete that information before publication. Whenever
12 informal rulings, opinions, or letters contain a policy of
13 general applicability, the Department shall formulate and
14 adopt that policy as a rule in accordance with the Illinois
15 Administrative Procedure Act.

16 The exemption under this Section is exempt from the
17 provisions of Section 3-90.

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

19 (35 ILCS 105/3-85)

20 Sec. 3-85. Manufacturer's Purchase Credit. For purchases
21 of machinery and equipment made on and after January 1, 1995
22 through June 30, 2003, and on and after September 1, 2004
23 through August 30, 2014, a purchaser of manufacturing machinery
24 and equipment that qualifies for the exemption provided by
25 paragraph (18) of Section 3-5 of this Act earns a credit in an

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

18 The amount of credit shall be a percentage of the tax that
19 would have been incurred on the purchase of manufacturing
20 machinery and equipment or graphic arts machinery and equipment
21 if the exemptions provided by paragraph (6) or paragraph (18)
22 of Section 3-5 of this Act had not been applicable. The
23 percentage shall be as follows:

24 (1) 15% for purchases made on or before June 30, 1995.

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

1 (3) 40% for purchases made after June 30, 1996, and on
2 or before June 30, 1997.

3 (4) 50% for purchases made on or after July 1, 1997.

4 (a) Manufacturer's Purchase Credit earned prior to July 1,
5 2003. This subsection (a) applies to Manufacturer's Purchase
6 Credit earned prior to July 1, 2003. A purchaser of production
7 related tangible personal property desiring to use the
8 Manufacturer's Purchase Credit shall certify to the seller
9 prior to October 1, 2003 that the purchaser is satisfying all
10 or part of the liability under the Use Tax Act or the Service
11 Use Tax Act that is due on the purchase of the production
12 related tangible personal property by use of Manufacturer's
13 Purchase Credit. The Manufacturer's Purchase Credit
14 certification must be dated and shall include the name and
15 address of the purchaser, the purchaser's registration number,
16 if registered, the credit being applied, and a statement that
17 the State Use Tax or Service Use Tax liability is being
18 satisfied with the manufacturer's or graphic arts producer's
19 accumulated purchase credit. Certification may be incorporated
20 into the manufacturer's or graphic arts producer's purchase
21 order. Manufacturer's Purchase Credit certification provided
22 by the manufacturer or graphic arts producer prior to October
23 1, 2003 may be used to satisfy the retailer's or serviceman's
24 liability under the Retailers' Occupation Tax Act or Service
25 Occupation Tax Act for the credit claimed, not to exceed 6.25%
26 of the receipts subject to tax from a qualifying purchase, but

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

1 a construction contractor.

2 No Manufacturer's Purchase Credit earned prior to July 1,
3 2003 may be used after October 1, 2003. The Manufacturer's
4 Purchase Credit may be used to satisfy liability under the Use
5 Tax Act or the Service Use Tax Act due on the purchase of
6 production related tangible personal property (including
7 purchases by a manufacturer, by a graphic arts producer, or by
8 a lessor who rents or leases the use of the property to a
9 manufacturer or graphic arts producer) that does not otherwise
10 qualify for the manufacturing machinery and equipment
11 exemption or the graphic arts machinery and equipment
12 exemption. "Production related tangible personal property"
13 means (i) all tangible personal property used or consumed by
14 the purchaser in a manufacturing facility in which a
15 manufacturing process described in Section 2-45 of the
16 Retailers' Occupation Tax Act takes place, including tangible
17 personal property purchased for incorporation into real estate
18 within a manufacturing facility and including, but not limited
19 to, tangible personal property used or consumed in activities
20 such as preproduction material handling, receiving, quality
21 control, inventory control, storage, staging, and packaging
22 for shipping and transportation purposes; (ii) all tangible
23 personal property used or consumed by the purchaser in a
24 graphic arts facility in which graphic arts production as
25 described in Section 2-30 of the Retailers' Occupation Tax Act
26 takes place, including tangible personal property purchased

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

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

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

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

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

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

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

1 portion thereof has been extended. No Manufacturer's Purchase
2 Credit report filed with the Department for periods prior to
3 January 1, 1995 shall be approved. Manufacturer's Purchase
4 Credit claimed on an amended report may be used, until October
5 1, 2003, to satisfy tax liability under the Use Tax Act or the
6 Service Use Tax Act (i) on qualifying purchases of production
7 related tangible personal property made after the date the
8 amended report is filed or (ii) assessed by the Department on
9 qualifying purchases of production related tangible personal
10 property made in the case of manufacturers on or after January
11 1, 1995, or in the case of graphic arts producers on or after
12 July 1, 1996.

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

18 A purchaser shall not be entitled to any Manufacturer's
19 Purchase Credit for a purchase that is required to be reported
20 and is not timely reported as provided in this Section. A
21 purchaser remains liable for (i) any tax that was satisfied by
22 use of a Manufacturer's Purchase Credit, as of the date of
23 purchase, if that use is not timely reported as required in
24 this Section and (ii) for any applicable penalties and interest
25 for failing to pay the tax when due. No Manufacturer's Purchase
26 Credit may be used after September 30, 2003 to satisfy any tax

1 liability imposed under this Act, including any audit
2 liability.

3 (b) Manufacturer's Purchase Credit earned on and after
4 September 1, 2004 and through August 30, 2014. This subsection
5 (b) applies to Manufacturer's Purchase Credit earned on and
6 after September 1, 2004 and through August 30, 2014. No
7 Manufacturer's Purchase Credit may be used after September 30,
8 2014 to satisfy any tax liability incurred on purchases of
9 production related tangible personal property made on or before
10 August 30, 2014 or to satisfy any audit liability established
11 after September 30, 2014. Manufacturer's Purchase Credit
12 earned on or after September 1, 2004 may only be used to
13 satisfy the Use Tax or Service Use Tax liability incurred on
14 production related tangible personal property purchased on or
15 after September 1, 2004. A purchaser of production related
16 tangible personal property desiring to use the Manufacturer's
17 Purchase Credit shall certify to the seller that the purchaser
18 is satisfying all or part of the liability under the Use Tax
19 Act or the Service Use Tax Act that is due on the purchase of
20 the production related tangible personal property by use of
21 Manufacturer's Purchase Credit. The Manufacturer's Purchase
22 Credit certification must be dated and shall include the name
23 and address of the purchaser, the purchaser's registration
24 number, if registered, the credit being applied, and a
25 statement that the State Use Tax or Service Use Tax liability
26 is being satisfied with the manufacturer's or graphic arts

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

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

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

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

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

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

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

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

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

22 (Source: P.A. 96-116, eff. 7-31-09.)

23 Section 15. The Service Use Tax Act is amended by changing
24 Sections 2, 3-5, and 3-70 as follows:

1 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

2 Sec. 2. Definitions.

3 "Use" means the exercise by any person of any right or
4 power over tangible personal property incident to the ownership
5 of that property, but does not include the sale or use for
6 demonstration by him of that property in any form as tangible
7 personal property in the regular course of business. "Use" does
8 not mean the interim use of tangible personal property nor the
9 physical incorporation of tangible personal property, as an
10 ingredient or constituent, into other tangible personal
11 property, (a) which is sold in the regular course of business
12 or (b) which the person incorporating such ingredient or
13 constituent therein has undertaken at the time of such purchase
14 to cause to be transported in interstate commerce to
15 destinations outside the State of Illinois.

16 "Purchased from a serviceman" means the acquisition of the
17 ownership of, or title to, tangible personal property through a
18 sale of service.

19 "Purchaser" means any person who, through a sale of
20 service, acquires the ownership of, or title to, any tangible
21 personal property.

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
25 determined without any deduction on account of the supplier's
26 cost of the property sold or on account of any other expense

1 incurred by the supplier. When a serviceman contracts out part
2 or all of the services required in his sale of service, it
3 shall be presumed that the cost price to the serviceman of the
4 property transferred to him or her by his or her subcontractor
5 is equal to 50% of the subcontractor's charges to the
6 serviceman in the absence of proof of the consideration paid by
7 the subcontractor for the purchase of such property.

8 "Selling price" means the consideration for a sale valued
9 in money whether received in money or otherwise, including
10 cash, credits and service, and shall be determined without any
11 deduction on account of the serviceman's cost of the property
12 sold, the cost of materials used, labor or service cost or any
13 other expense whatsoever, but does not include interest or
14 finance charges which appear as separate items on the bill of
15 sale or sales contract nor charges that are added to prices by
16 sellers on account of the seller's duty to collect, from the
17 purchaser, the tax that is imposed by this Act.

18 "Department" means the Department of Revenue.

19 "Person" means any natural individual, firm, partnership,
20 association, joint stock company, joint venture, public or
21 private corporation, limited liability company, and any
22 receiver, executor, trustee, guardian or other representative
23 appointed by order of any court.

24 "Sale of service" means any transaction except:

25 (1) a retail sale of tangible personal property taxable
26 under the Retailers' Occupation Tax Act or under the Use

1 Tax Act.

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

5 (3) except as hereinafter provided, a sale or transfer
6 of tangible personal property as an incident to the
7 rendering of service for or by any governmental body, or
8 for or by any corporation, society, association,
9 foundation or institution organized and operated
10 exclusively for charitable, religious or educational
11 purposes or any not-for-profit corporation, society,
12 association, foundation, institution or organization which
13 has no compensated officers or employees and which is
14 organized and operated primarily for the recreation of
15 persons 55 years of age or older. A limited liability
16 company may qualify for the exemption under this paragraph
17 only if the limited liability company is organized and
18 operated exclusively for educational purposes.

19 (4) a sale or transfer of tangible personal property as
20 an incident to the rendering of service for interstate
21 carriers for hire for use as rolling stock moving in
22 interstate commerce or by lessors under a lease of one year
23 or longer, executed or in effect at the time of purchase of
24 personal property, to interstate carriers for hire for use
25 as rolling stock moving in interstate commerce so long as
26 so used by such interstate carriers for hire, and equipment

1 operated by a telecommunications provider, licensed as a
2 common carrier by the Federal Communications Commission,
3 which is permanently installed in or affixed to aircraft
4 moving in interstate commerce.

5 (4a) a sale or transfer of tangible personal property
6 as an incident to the rendering of service for owners,
7 lessors, or shippers of tangible personal property which is
8 utilized by interstate carriers for hire for use as rolling
9 stock moving in interstate commerce so long as so used by
10 interstate carriers for hire, and equipment operated by a
11 telecommunications provider, licensed as a common carrier
12 by the Federal Communications Commission, which is
13 permanently installed in or affixed to aircraft moving in
14 interstate commerce.

15 (4a-5) on and after July 1, 2003 and through June 30,
16 2004, a sale or transfer of a motor vehicle of the second
17 division with a gross vehicle weight in excess of 8,000
18 pounds as an incident to the rendering of service if that
19 motor vehicle is subject to the commercial distribution fee
20 imposed under Section 3-815.1 of the Illinois Vehicle Code.
21 Beginning on July 1, 2004 and through June 30, 2005, the
22 use in this State of motor vehicles of the second division:
23 (i) with a gross vehicle weight rating in excess of 8,000
24 pounds; (ii) that are subject to the commercial
25 distribution fee imposed under Section 3-815.1 of the
26 Illinois Vehicle Code; and (iii) that are primarily used

1 for commercial purposes. Through June 30, 2005, this
2 exemption applies to repair and replacement parts added
3 after the initial purchase of such a motor vehicle if that
4 motor vehicle is used in a manner that would qualify for
5 the rolling stock exemption otherwise provided for in this
6 Act. For purposes of this paragraph, "used for commercial
7 purposes" means the transportation of persons or property
8 in furtherance of any commercial or industrial enterprise
9 whether for-hire or not.

10 (5) a sale or transfer of machinery and equipment used
11 primarily in the process of the manufacturing or
12 assembling, either in an existing, an expanded or a new
13 manufacturing facility, of tangible personal property for
14 wholesale or retail sale or lease, whether such sale or
15 lease is made directly by the manufacturer or by some other
16 person, whether the materials used in the process are owned
17 by the manufacturer or some other person, or whether such
18 sale or lease is made apart from or as an incident to the
19 seller's engaging in a service occupation and the
20 applicable tax is a Service Use Tax or Service Occupation
21 Tax, rather than Use Tax or Retailers' Occupation Tax. The
22 exemption provided by this paragraph (5) does not include
23 machinery and equipment used in (i) the generation of
24 electricity for wholesale or retail sale; (ii) the
25 generation or treatment of natural or artificial gas for
26 wholesale or retail sale that is delivered to customers

1 through pipes, pipelines, or mains; or (iii) the treatment
2 of water for wholesale or retail sale that is delivered to
3 customers through pipes, pipelines, or mains. The
4 provisions of this amendatory Act of the 98th General
5 Assembly are declaratory of existing law as to the meaning
6 and scope of this exemption. The exemption under this
7 paragraph (5) is exempt from the provisions of Section
8 3-75.

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

20 (5b) a sale or transfer of tangible personal property
21 which is produced by the seller thereof on special order in
22 such a way as to have made the applicable tax the Service
23 Occupation Tax or the Service Use Tax, rather than the
24 Retailers' Occupation Tax or the Use Tax, for an interstate
25 carrier by rail which receives the physical possession of
26 such property in Illinois, and which transports such

1 property, or shares with another common carrier in the
2 transportation of such property, out of Illinois on a
3 standard uniform bill of lading showing the seller of the
4 property as the shipper or consignor of such property to a
5 destination outside Illinois, for use outside Illinois.

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

14 (7) at the election of any serviceman not required to
15 be otherwise registered as a retailer under Section 2a of
16 the Retailers' Occupation Tax Act, made for each fiscal
17 year sales of service in which the aggregate annual cost
18 price of tangible personal property transferred as an
19 incident to the sales of service is less than 35%, or 75%
20 in the case of servicemen transferring prescription drugs
21 or servicemen engaged in graphic arts production, of the
22 aggregate annual total gross receipts from all sales of
23 service. The purchase of such tangible personal property by
24 the serviceman shall be subject to tax under the Retailers'
25 Occupation Tax Act and the Use Tax Act. However, if a
26 primary serviceman who has made the election described in

1 this paragraph subcontracts service work to a secondary
2 serviceman who has also made the election described in this
3 paragraph, the primary serviceman does not incur a Use Tax
4 liability if the secondary serviceman (i) has paid or will
5 pay Use Tax on his or her cost price of any tangible
6 personal property transferred to the primary serviceman
7 and (ii) certifies that fact in writing to the primary
8 serviceman.

9 Tangible personal property transferred incident to the
10 completion of a maintenance agreement is exempt from the tax
11 imposed pursuant to this Act.

12 Exemption (5) also includes machinery and equipment used in
13 the general maintenance or repair of such exempt machinery and
14 equipment or for in-house manufacture of exempt machinery and
15 equipment. On and after August 31, 2014, exemption (5) also
16 includes graphic arts machinery and equipment, as defined in
17 paragraph (5) of Section 3-5, and production related tangible
18 personal property, as defined in this Section. The machinery
19 and equipment exemption does not include machinery and
20 equipment used in (i) the generation of electricity for
21 wholesale or retail sale; (ii) the generation or treatment of
22 natural or artificial gas for wholesale or retail sale that is
23 delivered to customers through pipes, pipelines, or mains; or
24 (iii) the treatment of water for wholesale or retail sale that
25 is delivered to customers through pipes, pipelines, or mains.
26 The provisions of this amendatory Act of the 98th General

1 Assembly are declaratory of existing law as to the meaning and
2 scope of this exemption. For the purposes of exemption (5),
3 each of these terms shall have the following meanings: (1)
4 "manufacturing process" shall mean the production of any
5 article of tangible personal property, whether such article is
6 a finished product or an article for use in the process of
7 manufacturing or assembling a different article of tangible
8 personal property, by procedures commonly regarded as
9 manufacturing, processing, fabricating, or refining which
10 changes some existing material or materials into a material
11 with a different form, use or name. In relation to a recognized
12 integrated business composed of a series of operations which
13 collectively constitute manufacturing, or individually
14 constitute manufacturing operations, the manufacturing process
15 shall be deemed to commence with the first operation or stage
16 of production in the series, and shall not be deemed to end
17 until the completion of the final product in the last operation
18 or stage of production in the series; and further, for purposes
19 of exemption (5), photoprocessing is deemed to be a
20 manufacturing process of tangible personal property for
21 wholesale or retail sale; (2) "assembling process" shall mean
22 the production of any article of tangible personal property,
23 whether such article is a finished product or an article for
24 use in the process of manufacturing or assembling a different
25 article of tangible personal property, by the combination of
26 existing materials in a manner commonly regarded as assembling

1 which results in a material of a different form, use or name;

2 (3) "machinery" shall mean major mechanical machines or major
3 components of such machines contributing to a manufacturing or
4 assembling process; ~~and~~ (4) "equipment" shall include any

5 independent device or tool separate from any machinery but
6 essential to an integrated manufacturing or assembly process;
7 including computers used primarily in a manufacturer's

8 computer assisted design, computer assisted manufacturing
9 (CAD/CAM) system; or any subunit or assembly comprising a
10 component of any machinery or auxiliary, adjunct or attachment

11 parts of machinery, such as tools, dies, jigs, fixtures,
12 patterns and molds; or any parts which require periodic
13 replacement in the course of normal operation; but shall not

14 include hand tools; "equipment" ~~Equipment~~ includes chemicals
15 or chemicals acting as catalysts but only if the chemicals or
16 chemicals acting as catalysts effect a direct and immediate

17 change upon a product being manufactured or assembled for
18 wholesale or retail sale or lease; and (5) "production related
19 tangible personal property" means all tangible personal

20 property that is used or consumed by the purchaser in a
21 manufacturing facility in which a manufacturing process
22 described in Section 2-45 of the Retailers' Occupation Tax Act

23 takes place, including tangible personal property that is
24 purchased for incorporation into real estate within a
25 manufacturing facility, and including, but not limited to,

26 tangible personal property that is used or consumed in

1 activities such as preproduction material handling, receiving,
2 quality control, inventory control, storage, staging,
3 packaging for shipping and transportation purposes, and all
4 tangible personal property used or consumed by the purchaser
5 for research and development; "production related tangible
6 personal property" does not include (i) tangible personal
7 property that is used, within or without a manufacturing
8 facility, in sales, purchasing, accounting, fiscal management,
9 marketing, personnel recruitment or selection, or landscaping,
10 or (ii) tangible personal property that is required to be
11 titled or registered with a department, agency, or unit of
12 federal, State, or local government. 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). This item (12) is exempt
13 from the provisions of Section 3-75.

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

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

1 ending on the effective date of this amendatory Act of the 95th
2 General Assembly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (28) 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 3-75.

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; 98-756, eff.
15 7-16-14; 99-180, eff. 7-29-15.)

16 (35 ILCS 110/3-70)

17 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
18 of machinery and equipment made on and after January 1, 1995
19 and through June 30, 2003, and on and after September 1, 2004
20 through August 30, 2014, a purchaser of manufacturing machinery
21 and equipment that qualifies for the exemption provided by
22 Section 2 of this Act earns a credit in an amount equal to a
23 fixed percentage of the tax which would have been incurred
24 under this Act on those purchases. For purchases of graphic
25 arts machinery and equipment made on or after July 1, 1996

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

15 The amount of credit shall be a percentage of the tax that
16 would have been incurred on the purchase of the manufacturing
17 machinery and equipment or graphic arts machinery and equipment
18 if the exemptions provided by Section 2 or paragraph (5) of
19 Section 3-5 of this Act had not been applicable.

20 All purchases prior to October 1, 2003 and on and after
21 September 1, 2004 and through August 30, 2014 of manufacturing
22 machinery and equipment and graphic arts machinery and
23 equipment that qualify for the exemptions provided by paragraph
24 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act
25 qualify for the credit without regard to whether the serviceman
26 elected, or could have elected, under paragraph (7) of Section

1 2 of this Act to exclude the transaction from this Act. If the
2 serviceman's billing to the service customer separately states
3 a selling price for the exempt manufacturing machinery or
4 equipment or the exempt graphic arts machinery and equipment,
5 the credit shall be calculated, as otherwise provided herein,
6 based on that selling price. If the serviceman's billing does
7 not separately state a selling price for the exempt
8 manufacturing machinery and equipment or the exempt graphic
9 arts machinery and equipment, the credit shall be calculated,
10 as otherwise provided herein, based on 50% of the entire
11 billing. If the serviceman contracts to design, develop, and
12 produce special order manufacturing machinery and equipment or
13 special order graphic arts machinery and equipment, and the
14 billing does not separately state a selling price for such
15 special order machinery and equipment, the credit shall be
16 calculated, as otherwise provided herein, based on 50% of the
17 entire billing. The provisions of this paragraph are effective
18 for purchases made on or after January 1, 1995.

19 The percentage shall be as follows:

20 (1) 15% for purchases made on or before June 30, 1995.

21 (2) 25% for purchases made after June 30, 1995, and on
22 or before June 30, 1996.

23 (3) 40% for purchases made after June 30, 1996, and on
24 or before June 30, 1997.

25 (4) 50% for purchases made on or after July 1, 1997.

26 (a) Manufacturer's Purchase Credit earned prior to July 1,

1 2003. This subsection (a) applies to Manufacturer's Purchase
2 Credit earned prior to July 1, 2003. A purchaser of production
3 related tangible personal property desiring to use the
4 Manufacturer's Purchase Credit shall certify to the seller
5 prior to October 1, 2003 that the purchaser is satisfying all
6 or part of the liability under the Use Tax Act or the Service
7 Use Tax Act that is due on the purchase of the production
8 related tangible personal property by use of a Manufacturer's
9 Purchase Credit. The Manufacturer's Purchase Credit
10 certification must be dated and shall include the name and
11 address of the purchaser, the purchaser's registration number,
12 if registered, the credit being applied, and a statement that
13 the State Use Tax or Service Use Tax liability is being
14 satisfied with the manufacturer's or graphic arts producer's
15 accumulated purchase credit. Certification may be incorporated
16 into the manufacturer's or graphic arts producer's purchase
17 order. Manufacturer's Purchase Credit certification provided
18 by the manufacturer or graphic arts producer prior to October
19 1, 2003 may be used to satisfy the retailer's or serviceman's
20 liability under the Retailers' Occupation Tax Act or Service
21 Occupation Tax Act for the credit claimed, not to exceed 6.25%
22 of the receipts subject to tax from a qualifying purchase, but
23 only if the retailer or serviceman reports the Manufacturer's
24 Purchase Credit claimed as required by the Department. A
25 Manufacturer's Purchase Credit reported on any original or
26 amended return filed under this Act after October 20, 2003

1 shall be disallowed. The Manufacturer's Purchase Credit earned
2 by purchase of exempt manufacturing machinery and equipment or
3 graphic arts machinery and equipment is a non-transferable
4 credit. A manufacturer or graphic arts producer that enters
5 into a contract involving the installation of tangible personal
6 property into real estate within a manufacturing or graphic
7 arts production facility, prior to October 1, 2003, may
8 authorize a construction contractor to utilize credit
9 accumulated by the manufacturer or graphic arts producer to
10 purchase the tangible personal property. A manufacturer or
11 graphic arts producer intending to use accumulated credit to
12 purchase such tangible personal property shall execute a
13 written contract authorizing the contractor to utilize a
14 specified dollar amount of credit. The contractor shall
15 furnish, prior to October 1, 2003, the supplier with the
16 manufacturer's or graphic arts producer's name, registration
17 or resale number, and a statement that a specific amount of the
18 Use Tax or Service Use Tax liability, not to exceed 6.25% of
19 the selling price, is being satisfied with the credit. The
20 manufacturer or graphic arts producer shall remain liable to
21 timely report all information required by the annual Report of
22 Manufacturer's Purchase Credit Used for credit utilized by a
23 construction contractor.

24 No Manufacturer's Purchase Credit earned prior to July 1,
25 2003 may be used after October 1, 2003. The Manufacturer's
26 Purchase Credit may be used to satisfy liability under the Use

1 Tax Act or the Service Use Tax Act due on the purchase of
2 production related tangible personal property (including
3 purchases by a manufacturer, by a graphic arts producer, or a
4 lessor who rents or leases the use of the property to a
5 manufacturer or graphic arts producer) that does not otherwise
6 qualify for the manufacturing machinery and equipment
7 exemption or the graphic arts machinery and equipment
8 exemption. "Production related tangible personal property"
9 means (i) all tangible personal property used or consumed by
10 the purchaser in a manufacturing facility in which a
11 manufacturing process described in Section 2-45 of the
12 Retailers' Occupation Tax Act takes place, including tangible
13 personal property purchased for incorporation into real estate
14 within a manufacturing facility and including, but not limited
15 to, tangible personal property used or consumed in activities
16 such as pre-production material handling, receiving, quality
17 control, inventory control, storage, staging, and packaging
18 for shipping and transportation purposes; (ii) all tangible
19 personal property used or consumed by the purchaser in a
20 graphic arts facility in which graphic arts production as
21 described in Section 2-30 of the Retailers' Occupation Tax Act
22 takes place, including tangible personal property purchased
23 for incorporation into real estate within a graphic arts
24 facility and including, but not limited to, all tangible
25 personal property used or consumed in activities such as
26 graphic arts preliminary or pre-press production,

1 pre-production material handling, receiving, quality control,
2 inventory control, storage, staging, sorting, labeling,
3 mailing, tying, wrapping, and packaging; and (iii) all tangible
4 personal property used or consumed by the purchaser for
5 research and development. "Production related tangible
6 personal property" does not include (i) tangible personal
7 property used, within or without a manufacturing or graphic
8 arts facility, in sales, purchasing, accounting, fiscal
9 management, marketing, personnel recruitment or selection, or
10 landscaping or (ii) tangible personal property required to be
11 titled or registered with a department, agency, or unit of
12 federal, state, or local government. The Manufacturer's
13 Purchase Credit may be used, prior to October 1, 2003, to
14 satisfy the tax arising either from the purchase of machinery
15 and equipment on or after January 1, 1995 for which the
16 manufacturing machinery and equipment exemption provided by
17 Section 2 of this Act was erroneously claimed, or the purchase
18 of machinery and equipment on or after July 1, 1996 for which
19 the exemption provided by paragraph (5) of Section 3-5 of this
20 Act was erroneously claimed, but not in satisfaction of
21 penalty, if any, and interest for failure to pay the tax when
22 due. A purchaser of production related tangible personal
23 property who is required to pay Illinois Use Tax or Service Use
24 Tax on the purchase directly to the Department may, prior to
25 October 1, 2003, utilize the Manufacturer's Purchase Credit in
26 satisfaction of the tax arising from that purchase, but not in

1 satisfaction of penalty and interest. A purchaser who uses the
2 Manufacturer's Purchase Credit to purchase property which is
3 later determined not to be production related tangible personal
4 property may be liable for tax, penalty, and interest on the
5 purchase of that property as of the date of purchase but shall
6 be entitled to use the disallowed Manufacturer's Purchase
7 Credit, so long as it has not expired and is used prior to
8 October 1, 2003, on qualifying purchases of production related
9 tangible personal property not previously subject to credit
10 usage. The Manufacturer's Purchase Credit earned by a
11 manufacturer or graphic arts producer expires the last day of
12 the second calendar year following the calendar year in which
13 the credit arose. No Manufacturer's Purchase Credit may be used
14 after September 30, 2003 regardless of when that credit was
15 earned.

16 A purchaser earning Manufacturer's Purchase Credit shall
17 sign and file an annual Report of Manufacturer's Purchase
18 Credit Earned for each calendar year no later than the last day
19 of the sixth month following the calendar year in which a
20 Manufacturer's Purchase Credit is earned. A Report of
21 Manufacturer's Purchase Credit Earned shall be filed on forms
22 as prescribed or approved by the Department and shall state,
23 for each month of the calendar year: (i) the total purchase
24 price of all purchases of exempt manufacturing or graphic arts
25 machinery on which the credit was earned; (ii) the total State
26 Use Tax or Service Use Tax which would have been due on those

1 items; (iii) the percentage used to calculate the amount of
2 credit earned; (iv) the amount of credit earned; and (v) such
3 other information as the Department may reasonably require. A
4 purchaser earning Manufacturer's Purchase Credit shall
5 maintain records which identify, as to each purchase of
6 manufacturing or graphic arts machinery and equipment on which
7 the purchaser earned Manufacturer's Purchase Credit, the
8 vendor (including, if applicable, either the vendor's
9 registration number or Federal Employer Identification
10 Number), the purchase price, and the amount of Manufacturer's
11 Purchase Credit earned on each purchase.

12 A purchaser using Manufacturer's Purchase Credit shall
13 sign and file an annual Report of Manufacturer's Purchase
14 Credit Used for each calendar year no later than the last day
15 of the sixth month following the calendar year in which a
16 Manufacturer's Purchase Credit is used. A Report of
17 Manufacturer's Purchase Credit Used shall be filed on forms as
18 prescribed or approved by the Department and shall state, for
19 each month of the calendar year: (i) the total purchase price
20 of production related tangible personal property purchased
21 from Illinois suppliers; (ii) the total purchase price of
22 production related tangible personal property purchased from
23 out-of-state suppliers; (iii) the total amount of credit used
24 during such month; and (iv) such other information as the
25 Department may reasonably require. A purchaser using
26 Manufacturer's Purchase Credit shall maintain records that

1 identify, as to each purchase of production related tangible
2 personal property on which the purchaser used Manufacturer's
3 Purchase Credit, the vendor (including, if applicable, either
4 the vendor's registration number or Federal Employer
5 Identification Number), the purchase price, and the amount of
6 Manufacturer's Purchase Credit used on each purchase.

7 No annual report shall be filed before May 1, 1996 or after
8 June 30, 2004. A purchaser that fails to file an annual Report
9 of Manufacturer's Purchase Credit Earned or an annual Report of
10 Manufacturer's Purchase Credit Used by the last day of the
11 sixth month following the end of the calendar year shall
12 forfeit all Manufacturer's Purchase Credit for that calendar
13 year unless it establishes that its failure to file was due to
14 reasonable cause. Manufacturer's Purchase Credit reports may
15 be amended to report and claim credit on qualifying purchases
16 not previously reported at any time before the credit would
17 have expired, unless both the Department and the purchaser have
18 agreed to an extension of the statute of limitations for the
19 issuance of a notice of tax liability as provided in Section 4
20 of the Retailers' Occupation Tax Act. If the time for
21 assessment or refund has been extended, then amended reports
22 for a calendar year may be filed at any time prior to the date
23 to which the statute of limitations for the calendar year or
24 portion thereof has been extended. No Manufacturer's Purchase
25 Credit report filed with the Department for periods prior to
26 January 1, 1995 shall be approved. Manufacturer's Purchase

1 Credit claimed on an amended report may be used, prior to
2 October 1, 2003, to satisfy tax liability under the Use Tax Act
3 or the Service Use Tax Act (i) on qualifying purchases of
4 production related tangible personal property made after the
5 date the amended report is filed or (ii) assessed by the
6 Department on qualifying purchases of production related
7 tangible personal property made in the case of manufacturers on
8 or after January 1, 1995, or in the case of graphic arts
9 producers on or after July 1, 1996.

10 If the purchaser is not the manufacturer or a graphic arts
11 producer, but rents or leases the use of the property to a
12 manufacturer or a graphic arts producer, the purchaser may
13 earn, report, and use Manufacturer's Purchase Credit in the
14 same manner as a manufacturer or graphic arts producer.

15 A purchaser shall not be entitled to any Manufacturer's
16 Purchase Credit for a purchase that is required to be reported
17 and is not timely reported as provided in this Section. A
18 purchaser remains liable for (i) any tax that was satisfied by
19 use of a Manufacturer's Purchase Credit, as of the date of
20 purchase, if that use is not timely reported as required in
21 this Section and (ii) for any applicable penalties and interest
22 for failing to pay the tax when due. No Manufacturer's Purchase
23 Credit may be used after September 30, 2003 to satisfy any tax
24 liability imposed under this Act, including any audit
25 liability.

26 (b) Manufacturer's Purchase Credit earned on and after

1 September 1, 2004 and through August 30, 2014. This subsection
2 (b) applies to Manufacturer's Purchase Credit earned on or
3 after September 1, 2004 and through August 30, 2014.
4 Manufacturer's Purchase Credit earned on or after September 1,
5 2004 and through August 30, 2014 may only be used to satisfy
6 the Use Tax or Service Use Tax liability incurred on production
7 related tangible personal property purchased on or after
8 September 1, 2004 and through August 30, 2014. A purchaser of
9 production related tangible personal property desiring to use
10 the Manufacturer's Purchase Credit shall certify to the seller
11 that the purchaser is satisfying all or part of the liability
12 under the Use Tax Act or the Service Use Tax Act that is due on
13 the purchase of the production related tangible personal
14 property by use of a Manufacturer's Purchase Credit. The
15 Manufacturer's Purchase Credit certification must be dated and
16 shall include the name and address of the purchaser, the
17 purchaser's registration number, if registered, the credit
18 being applied, and a statement that the State Use Tax or
19 Service Use Tax liability is being satisfied with the
20 manufacturer's or graphic arts producer's accumulated purchase
21 credit. Certification may be incorporated into the
22 manufacturer's or graphic arts producer's purchase order.
23 Manufacturer's Purchase Credit certification provided by the
24 manufacturer or graphic arts producer may be used to satisfy
25 the retailer's or serviceman's liability under the Retailers'
26 Occupation Tax Act or Service Occupation Tax Act for the credit

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

1 The Manufacturer's Purchase Credit may be used to satisfy
2 liability under the Use Tax Act or the Service Use Tax Act due
3 on the purchase, made on or after September 1, 2004, of
4 production related tangible personal property (including
5 purchases by a manufacturer, by a graphic arts producer, or a
6 lessor who rents or leases the use of the property to a
7 manufacturer or graphic arts producer) that does not otherwise
8 qualify for the manufacturing machinery and equipment
9 exemption or the graphic arts machinery and equipment
10 exemption. "Production related tangible personal property"
11 means (i) all tangible personal property used or consumed by
12 the purchaser in a manufacturing facility in which a
13 manufacturing process described in Section 2-45 of the
14 Retailers' Occupation Tax Act takes place, including tangible
15 personal property purchased for incorporation into real estate
16 within a manufacturing facility and including, but not limited
17 to, tangible personal property used or consumed in activities
18 such as pre-production material handling, receiving, quality
19 control, inventory control, storage, staging, and packaging
20 for shipping and transportation purposes; (ii) all tangible
21 personal property used or consumed by the purchaser in a
22 graphic arts facility in which graphic arts production as
23 described in Section 2-30 of the Retailers' Occupation Tax Act
24 takes place, including tangible personal property purchased
25 for incorporation into real estate within a graphic arts
26 facility and including, but not limited to, all tangible

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

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

16 A purchaser earning Manufacturer's Purchase Credit shall
17 sign and file an annual Report of Manufacturer's Purchase
18 Credit Earned for each calendar year no later than the last day
19 of the sixth month following the calendar year in which a
20 Manufacturer's Purchase Credit is earned. A Report of
21 Manufacturer's Purchase Credit Earned shall be filed on forms
22 as prescribed or approved by the Department and shall state,
23 for each month of the calendar year: (i) the total purchase
24 price of all purchases of exempt manufacturing or graphic arts
25 machinery on which the credit was earned; (ii) the total State
26 Use Tax or Service Use Tax which would have been due on those

1 items; (iii) the percentage used to calculate the amount of
2 credit earned; (iv) the amount of credit earned; and (v) such
3 other information as the Department may reasonably require. A
4 purchaser earning Manufacturer's Purchase Credit shall
5 maintain records which identify, as to each purchase of
6 manufacturing or graphic arts machinery and equipment on which
7 the purchaser earned Manufacturer's Purchase Credit, the
8 vendor (including, if applicable, either the vendor's
9 registration number or Federal Employer Identification
10 Number), the purchase price, and the amount of Manufacturer's
11 Purchase Credit earned on each purchase.

12 A purchaser using Manufacturer's Purchase Credit shall
13 sign and file an annual Report of Manufacturer's Purchase
14 Credit Used for each calendar year no later than the last day
15 of the sixth month following the calendar year in which a
16 Manufacturer's Purchase Credit is used. A Report of
17 Manufacturer's Purchase Credit Used shall be filed on forms as
18 prescribed or approved by the Department and shall state, for
19 each month of the calendar year: (i) the total purchase price
20 of production related tangible personal property purchased
21 from Illinois suppliers; (ii) the total purchase price of
22 production related tangible personal property purchased from
23 out-of-state suppliers; (iii) the total amount of credit used
24 during such month; and (iv) such other information as the
25 Department may reasonably require. A purchaser using
26 Manufacturer's Purchase Credit shall maintain records that

1 identify, as to each purchase of production related tangible
2 personal property on which the purchaser used Manufacturer's
3 Purchase Credit, the vendor (including, if applicable, either
4 the vendor's registration number or Federal Employer
5 Identification Number), the purchase price, and the amount of
6 Manufacturer's Purchase Credit used on each purchase.

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

1 personal property made after the date the amended report is
2 filed or (ii) assessed by the Department on qualifying
3 production related tangible personal property purchased on or
4 after September 1, 2004.

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

18 (Source: P.A. 96-116, eff. 7-31-09.)

19 Section 20. The Service Occupation Tax Act is amended by
20 changing Sections 2, 3-5, and 9 as follows:

21 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

22 Sec. 2. "Transfer" means any transfer of the title to
23 property or of the ownership of property whether or not the
24 transferor retains title as security for the payment of amounts

1 due him from the transferee.

2 "Cost Price" means the consideration paid by the serviceman
3 for a purchase valued in money, whether paid in money or
4 otherwise, including cash, credits and services, and shall be
5 determined without any deduction on account of the supplier's
6 cost of the property sold or on account of any other expense
7 incurred by the supplier. When a serviceman contracts out part
8 or all of the services required in his sale of service, it
9 shall be presumed that the cost price to the serviceman of the
10 property transferred to him by his or her subcontractor is
11 equal to 50% of the subcontractor's charges to the serviceman
12 in the absence of proof of the consideration paid by the
13 subcontractor for the purchase of such property.

14 "Department" means the Department of Revenue.

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

20 "Sale of Service" means any transaction except:

21 (a) A retail sale of tangible personal property taxable
22 under the Retailers' Occupation Tax Act or under the Use Tax
23 Act.

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

1 (c) Except as hereinafter provided, a sale or transfer of
2 tangible personal property as an incident to the rendering of
3 service for or by any governmental body or for or by any
4 corporation, society, association, foundation or institution
5 organized and operated exclusively for charitable, religious
6 or educational purposes or any not-for-profit corporation,
7 society, association, foundation, institution or organization
8 which has no compensated officers or employees and which is
9 organized and operated primarily for the recreation of persons
10 55 years of age or older. A limited liability company may
11 qualify for the exemption under this paragraph only if the
12 limited liability company is organized and operated
13 exclusively for educational purposes.

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

24 (d-1) A sale or transfer of tangible personal property as
25 an incident to the rendering of service for owners, lessors or
26 shippers of tangible personal property which is utilized by

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

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

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

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

24 (d-4) Until January 1, 1997, a sale, by a registered
25 serviceman paying tax under this Act to the Department, of
26 special order printed materials delivered outside Illinois and

1 which are not returned to this State, if delivery is made by
2 the seller or agent of the seller, including an agent who
3 causes the product to be delivered outside Illinois by a common
4 carrier or the U.S. postal service.

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

1 provisions of Section 3-75.

2 (f) Until July 1, 2003, the sale or transfer of
3 distillation machinery and equipment, sold as a unit or kit and
4 assembled or installed by the retailer, which machinery and
5 equipment is certified by the user to be used only for the
6 production of ethyl alcohol that will be used for consumption
7 as motor fuel or as a component of motor fuel for the personal
8 use of such user and not subject to sale or resale.

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

1 certifies that fact in writing to the primary 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 (e) 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, exemption (e) also
9 includes graphic arts machinery and equipment, as defined in
10 paragraph (5) of Section 3-5, and production related tangible
11 personal property, as defined in this Section. The machinery
12 and equipment exemption does not include machinery and
13 equipment used in (i) the generation of electricity for
14 wholesale or retail sale; (ii) the generation or treatment of
15 natural or artificial gas for wholesale or retail sale that is
16 delivered to customers through pipes, pipelines, or mains; or
17 (iii) the treatment of water for wholesale or retail sale that
18 is delivered to customers through pipes, pipelines, or mains.
19 The provisions of this amendatory Act of the 98th General
20 Assembly are declaratory of existing law as to the meaning and
21 scope of this exemption. For the purposes of exemption (e),
22 each of these terms shall have the following meanings: (1)
23 "manufacturing process" shall mean the production of any
24 article of tangible personal property, whether such article is
25 a finished product or an article for use in the process of
26 manufacturing or assembling a different article of tangible

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

1 computer assisted design, computer assisted manufacturing
2 (CAD/CAM) system; or any subunit or assembly comprising a
3 component of any machinery or auxiliary, adjunct or attachment
4 parts of machinery, such as tools, dies, jigs, fixtures,
5 patterns and molds; or any parts which require periodic
6 replacement in the course of normal operation; but shall not
7 include hand tools; "equipment" ~~Equipment~~ includes chemicals
8 or chemicals acting as catalysts but only if the chemicals or
9 chemicals acting as catalysts effect a direct and immediate
10 change upon a product being manufactured or assembled for
11 wholesale or retail sale or lease; and (5) "production related
12 tangible personal property" means all tangible personal
13 property that is used or consumed by the purchaser in a
14 manufacturing facility in which a manufacturing process
15 described in Section 2-45 of the Retailers' Occupation Tax Act
16 takes place, including tangible personal property that is
17 purchased for incorporation into real estate within a
18 manufacturing facility, and including, but not limited to,
19 tangible personal property that is used or consumed in
20 activities such as preproduction material handling, receiving,
21 quality control, inventory control, storage, staging,
22 packaging for shipping and transportation purposes, and all
23 tangible personal property used or consumed by the purchaser
24 for research and development; "production related tangible
25 personal property" does not include (i) tangible personal
26 property that is used, within or without a manufacturing

1 facility, in sales, purchasing, accounting, fiscal management,
2 marketing, personnel recruitment or selection, or landscaping,
3 or (ii) tangible personal property that is required to be
4 titled or registered with a department, agency, or unit of
5 federal, State, or local government. The purchaser of such
6 machinery and equipment who has an active resale registration
7 number shall furnish such number to the seller at the time of
8 purchase. The purchaser of such machinery and equipment and
9 tools without an active resale registration number shall
10 furnish to the seller a certificate of exemption for each
11 transaction stating facts establishing the exemption for that
12 transaction, which certificate shall be available to the
13 Department for inspection or audit.

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

20 Any informal rulings, opinions or letters issued by the
21 Department in response to an inquiry or request for any opinion
22 from any person regarding the coverage and applicability of
23 exemption (e) to specific devices shall be published,
24 maintained as a public record, and made available for public
25 inspection and copying. If the informal ruling, opinion or
26 letter contains trade secrets or other confidential

1 information, where possible the Department shall delete such
2 information prior to publication. Whenever such informal
3 rulings, opinions, or letters contain any policy of general
4 applicability, the Department shall formulate and adopt such
5 policy as a rule in accordance with the provisions of the
6 Illinois Administrative Procedure Act.

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

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

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

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

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

19 (35 ILCS 115/3-5)

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

22 (1) Personal property sold by a corporation, society,
23 association, foundation, institution, or organization, other
24 than a limited liability company, that is organized and
25 operated as a not-for-profit service enterprise for the benefit

1 of persons 65 years of age or older if the personal property
2 was not purchased by the enterprise for the purpose of resale
3 by the enterprise.

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

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

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

26 (5) Until July 1, 2003 and beginning again on September 1,

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

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

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

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

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

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

24 (8) Until June 30, 2013, fuel and petroleum products sold
25 to or used by an air common carrier, certified by the carrier
26 to be used for consumption, shipment, or storage in the conduct

1 of its business as an air common carrier, for a flight destined
2 for or returning from a location or locations outside the
3 United States without regard to previous or subsequent domestic
4 stopovers.

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

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

23 (10) Until July 1, 2003, oil field exploration, drilling,
24 and production equipment, including (i) rigs and parts of rigs,
25 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
26 tubular goods, including casing and drill strings, (iii) pumps

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

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

11 (12) Coal and aggregate exploration, mining, off-highway
12 hauling, processing, maintenance, and reclamation equipment,
13 including replacement parts and equipment, and including
14 equipment purchased for lease, but excluding motor vehicles
15 required to be registered under the Illinois Vehicle Code. The
16 changes made to this Section by Public Act 97-767 apply on and
17 after July 1, 2003, but no claim for credit or refund is
18 allowed on or after August 16, 2013 (the effective date of
19 Public Act 98-456) for such taxes paid during the period
20 beginning July 1, 2003 and ending on August 16, 2013 (the
21 effective date of Public Act 98-456). This item (12) is exempt
22 from the provisions of Section 3-55.

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

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

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

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

24 (16) Computers and communications equipment utilized for
25 any hospital purpose and equipment used in the diagnosis,
26 analysis, or treatment of hospital patients sold to a lessor

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

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

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

22 (19) Beginning with taxable years ending on or after
23 December 31, 1995 and ending with taxable years ending on or
24 before December 31, 2004, personal property that is used in the
25 performance of infrastructure repairs in this State, including
26 but not limited to municipal roads and streets, access roads,

1 bridges, sidewalks, waste disposal systems, water and sewer
2 line extensions, water distribution and purification
3 facilities, storm water drainage and retention facilities, and
4 sewage treatment facilities, resulting from a State or
5 federally declared disaster in Illinois or bordering Illinois
6 when such repairs are initiated on facilities located in the
7 declared disaster area within 6 months after the disaster.

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

12 (21) A motor vehicle, as that term is defined in Section
13 1-146 of the Illinois Vehicle Code, that is donated to a
14 corporation, limited liability company, society, association,
15 foundation, or institution that is determined by the Department
16 to be organized and operated exclusively for educational
17 purposes. For purposes of this exemption, "a corporation,
18 limited liability company, society, association, foundation,
19 or institution organized and operated exclusively for
20 educational purposes" means all tax-supported public schools,
21 private schools that offer systematic instruction in useful
22 branches of learning by methods common to public schools and
23 that compare favorably in their scope and intensity with the
24 course of study presented in tax-supported schools, and
25 vocational or technical schools or institutes organized and
26 operated exclusively to provide a course of study of not less

1 than 6 weeks duration and designed to prepare individuals to
2 follow a trade or to pursue a manual, technical, mechanical,
3 industrial, business, or commercial occupation.

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

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

1 is exempt from the provisions of Section 3-55.

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

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

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

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

17 (27) 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 3-55.

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

1 constructing or furnishing a municipal convention hall, 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 3-55.

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

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

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

17 (35 ILCS 115/9) (from Ch. 120, par. 439.109)

18 Sec. 9. Each serviceman required or authorized to collect
19 the tax herein imposed shall pay to the Department the amount
20 of such tax at the time when he is required to file his return
21 for the period during which such tax was collectible, less a
22 discount of 2.1% prior to January 1, 1990, and 1.75% on and
23 after January 1, 1990, or \$5 per calendar year, whichever is
24 greater, which is allowed to reimburse the serviceman for
25 expenses incurred in collecting the tax, keeping records,

1 preparing and filing returns, remitting the tax and supplying
2 data to the Department on request. The Department may disallow
3 the discount for servicemen whose certificate of registration
4 is revoked at the time the return is filed, but only if the
5 Department's decision to revoke the certificate of
6 registration has become final.

7 Where such tangible personal property is sold under a
8 conditional sales contract, or under any other form of sale
9 wherein the payment of the principal sum, or a part thereof, is
10 extended beyond the close of the period for which the return is
11 filed, the serviceman, in collecting the tax may collect, for
12 each tax return period, only the tax applicable to the part of
13 the selling price actually received during such tax return
14 period.

15 Except as provided hereinafter in this Section, on or
16 before the twentieth day of each calendar month, such
17 serviceman shall file a return for the preceding calendar month
18 in accordance with reasonable rules and regulations to be
19 promulgated by the Department of Revenue. Such return shall be
20 filed on a form prescribed by the Department and shall contain
21 such information as the Department may reasonably require.

22 The Department may require returns to be filed on a
23 quarterly basis. If so required, a return for each calendar
24 quarter shall be filed on or before the twentieth day of the
25 calendar month following the end of such calendar quarter. The
26 taxpayer shall also file a return with the Department for each

1 of the first two months of each calendar quarter, on or before
2 the twentieth day of the following calendar month, stating:

3 1. The name of the seller;

4 2. The address of the principal place of business from
5 which he engages in business as a serviceman in this State;

6 3. The total amount of taxable receipts received by him
7 during the preceding calendar month, including receipts
8 from charge and time sales, but less all deductions allowed
9 by law;

10 4. The amount of credit provided in Section 2d of this
11 Act;

12 5. The amount of tax due;

13 5-5. The signature of the taxpayer; and

14 6. Such other reasonable information as the Department
15 may require.

16 If a taxpayer fails to sign a return within 30 days after
17 the proper notice and demand for signature by the Department,
18 the return shall be considered valid and any amount shown to be
19 due on the return shall be deemed assessed.

20 Prior to October 1, 2003, and on and after September 1,
21 2004 and through August 30, 2014, a serviceman may accept a
22 Manufacturer's Purchase Credit certification from a purchaser
23 in satisfaction of Service Use Tax as provided in Section 3-70
24 of the Service Use Tax Act if the purchaser provides the
25 appropriate documentation as required by Section 3-70 of the
26 Service Use Tax Act. A Manufacturer's Purchase Credit

1 certification, accepted prior to October 1, 2003 or on or after
2 September 1, 2004 and through August 30, 2014 by a serviceman
3 as provided in Section 3-70 of the Service Use Tax Act, may be
4 used by that serviceman through September 20, 2014 to satisfy
5 Service Occupation Tax liability in the amount claimed in the
6 certification, not to exceed 6.25% of the receipts subject to
7 tax from a qualifying purchase. A Manufacturer's Purchase
8 Credit reported on any original or amended return filed under
9 this Act after October 20, 2003 for reporting periods prior to
10 September 1, 2004 shall be disallowed. A Manufacturer's
11 Purchase Credit reported on any original or amended return
12 filed under this Act after September 20, 2014 shall be
13 disallowed. Manufacturer's Purchase Credit reported on annual
14 returns due on or after January 1, 2005 will be disallowed for
15 periods prior to September 1, 2004. A Manufacturer's Purchase
16 Credit reported on an annual return due on or after January 1,
17 2015 shall be disallowed for periods on and after August 31,
18 2014. No Manufacturer's Purchase Credit may be used after
19 September 30, 2003 through August 31, 2004 or after September
20 20, 2014 to satisfy any tax liability imposed under this Act,
21 including any audit liability.

22 If the serviceman's average monthly tax liability to the
23 Department does not exceed \$200, the Department may authorize
24 his returns to be filed on a quarter annual basis, with the
25 return for January, February and March of a given year being
26 due by April 20 of such year; with the return for April, May

1 and June of a given year being due by July 20 of such year; with
2 the return for July, August and September of a given year being
3 due by October 20 of such year, and with the return for
4 October, November and December of a given year being due by
5 January 20 of the following year.

6 If the serviceman's average monthly tax liability to the
7 Department does not exceed \$50, the Department may authorize
8 his returns to be filed on an annual basis, with the return for
9 a given year being due by January 20 of the following year.

10 Such quarter annual and annual returns, as to form and
11 substance, shall be subject to the same requirements as monthly
12 returns.

13 Notwithstanding any other provision in this Act concerning
14 the time within which a serviceman may file his return, in the
15 case of any serviceman who ceases to engage in a kind of
16 business which makes him responsible for filing returns under
17 this Act, such serviceman shall file a final return under this
18 Act with the Department not more than 1 month after
19 discontinuing such business.

20 Beginning October 1, 1993, a taxpayer who has an average
21 monthly tax liability of \$150,000 or more shall make all
22 payments required by rules of the Department by electronic
23 funds transfer. Beginning October 1, 1994, a taxpayer who has
24 an average monthly tax liability of \$100,000 or more shall make
25 all payments required by rules of the Department by electronic
26 funds transfer. Beginning October 1, 1995, a taxpayer who has

1 an average monthly tax liability of \$50,000 or more shall make
2 all payments required by rules of the Department by electronic
3 funds transfer. Beginning October 1, 2000, a taxpayer who has
4 an annual tax liability of \$200,000 or more shall make all
5 payments required by rules of the Department by electronic
6 funds transfer. The term "annual tax liability" shall be the
7 sum of the taxpayer's liabilities under this Act, and under all
8 other State and local occupation and use tax laws administered
9 by the Department, for the immediately preceding calendar year.
10 The term "average monthly tax liability" means the sum of the
11 taxpayer's liabilities under this Act, and under all other
12 State and local occupation and use tax laws administered by the
13 Department, for the immediately preceding calendar year
14 divided by 12. Beginning on October 1, 2002, a taxpayer who has
15 a tax liability in the amount set forth in subsection (b) of
16 Section 2505-210 of the Department of Revenue Law shall make
17 all payments required by rules of the Department by electronic
18 funds transfer.

19 Before August 1 of each year beginning in 1993, the
20 Department shall notify all taxpayers required to make payments
21 by electronic funds transfer. All taxpayers required to make
22 payments by electronic funds transfer shall make those payments
23 for a minimum of one year beginning on October 1.

24 Any taxpayer not required to make payments by electronic
25 funds transfer may make payments by electronic funds transfer
26 with the permission of the Department.

1 All taxpayers required to make payment by electronic funds
2 transfer and any taxpayers authorized to voluntarily make
3 payments by electronic funds transfer shall make those payments
4 in the manner authorized by the Department.

5 The Department shall adopt such rules as are necessary to
6 effectuate a program of electronic funds transfer and the
7 requirements of this Section.

8 Where a serviceman collects the tax with respect to the
9 selling price of tangible personal property which he sells and
10 the purchaser thereafter returns such tangible personal
11 property and the serviceman refunds the selling price thereof
12 to the purchaser, such serviceman shall also refund, to the
13 purchaser, the tax so collected from the purchaser. When filing
14 his return for the period in which he refunds such tax to the
15 purchaser, the serviceman may deduct the amount of the tax so
16 refunded by him to the purchaser from any other Service
17 Occupation Tax, Service Use Tax, Retailers' Occupation Tax or
18 Use Tax which such serviceman may be required to pay or remit
19 to the Department, as shown by such return, provided that the
20 amount of the tax to be deducted shall previously have been
21 remitted to the Department by such serviceman. If the
22 serviceman shall not previously have remitted the amount of
23 such tax to the Department, he shall be entitled to no
24 deduction hereunder upon refunding such tax to the purchaser.

25 If experience indicates such action to be practicable, the
26 Department may prescribe and furnish a combination or joint

1 return which will enable servicemen, who are required to file
2 returns hereunder and also under the Retailers' Occupation Tax
3 Act, the Use Tax Act or the Service Use Tax Act, to furnish all
4 the return information required by all said Acts on the one
5 form.

6 Where the serviceman has more than one business registered
7 with the Department under separate registrations hereunder,
8 such serviceman shall file separate returns for each registered
9 business.

10 Beginning January 1, 1990, each month the Department shall
11 pay into the Local Government Tax Fund the revenue realized for
12 the preceding month from the 1% tax on sales of food for human
13 consumption which is to be consumed off the premises where it
14 is sold (other than alcoholic beverages, soft drinks and food
15 which has been prepared for immediate consumption) and
16 prescription and nonprescription medicines, drugs, medical
17 appliances and insulin, urine testing materials, syringes and
18 needles used by diabetics.

19 Beginning January 1, 1990, each month the Department shall
20 pay into the County and Mass Transit District Fund 4% of the
21 revenue realized for the preceding month from the 6.25% general
22 rate.

23 Beginning August 1, 2000, each month the Department shall
24 pay into the County and Mass Transit District Fund 20% of the
25 net revenue realized for the preceding month from the 1.25%
26 rate on the selling price of motor fuel and gasohol.

1 Beginning January 1, 1990, each month the Department shall
2 pay into the Local Government Tax Fund 16% of the revenue
3 realized for the preceding month from the 6.25% general rate on
4 transfers of tangible personal property.

5 Beginning August 1, 2000, each month the Department shall
6 pay into the Local Government Tax Fund 80% of the net revenue
7 realized for the preceding month from the 1.25% rate on the
8 selling price of motor fuel and gasohol.

9 Beginning October 1, 2009, each month the Department shall
10 pay into the Capital Projects Fund an amount that is equal to
11 an amount estimated by the Department to represent 80% of the
12 net revenue realized for the preceding month from the sale of
13 candy, grooming and hygiene products, and soft drinks that had
14 been taxed at a rate of 1% prior to September 1, 2009 but that
15 are now taxed at 6.25%.

16 Beginning July 1, 2013, each month the Department shall pay
17 into the Underground Storage Tank Fund from the proceeds
18 collected under this Act, the Use Tax Act, the Service Use Tax
19 Act, and the Retailers' Occupation Tax Act an amount equal to
20 the average monthly deficit in the Underground Storage Tank
21 Fund during the prior year, as certified annually by the
22 Illinois Environmental Protection Agency, but the total
23 payment into the Underground Storage Tank Fund under this Act,
24 the Use Tax Act, the Service Use Tax Act, and the Retailers'
25 Occupation Tax Act shall not exceed \$18,000,000 in any State
26 fiscal year. As used in this paragraph, the "average monthly

1 deficit" shall be equal to the difference between the average
2 monthly claims for payment by the fund and the average monthly
3 revenues deposited into the fund, excluding payments made
4 pursuant to this paragraph.

5 Beginning July 1, 2015, of the remainder of the moneys
6 received by the Department under the Use Tax Act, the Service
7 Use Tax Act, this Act, and the Retailers' Occupation Tax Act,
8 each month the Department shall deposit \$500,000 into the State
9 Crime Laboratory Fund.

10 Of the remainder of the moneys received by the Department
11 pursuant to this Act, (a) 1.75% thereof shall be paid into the
12 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
13 and after July 1, 1989, 3.8% thereof shall be paid into the
14 Build Illinois Fund; provided, however, that if in any fiscal
15 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
16 may be, of the moneys received by the Department and required
17 to be paid into the Build Illinois Fund pursuant to Section 3
18 of the Retailers' Occupation Tax Act, Section 9 of the Use Tax
19 Act, Section 9 of the Service Use Tax Act, and Section 9 of the
20 Service Occupation Tax Act, such Acts being hereinafter called
21 the "Tax Acts" and such aggregate of 2.2% or 3.8%, as the case
22 may be, of moneys being hereinafter called the "Tax Act
23 Amount", and (2) the amount transferred to the Build Illinois
24 Fund from the State and Local Sales Tax Reform Fund shall be
25 less than the Annual Specified Amount (as defined in Section 3
26 of the Retailers' Occupation Tax Act), an amount equal to the

1 difference shall be immediately paid into the Build Illinois
2 Fund from other moneys received by the Department pursuant to
3 the Tax Acts; and further provided, that if on the last
4 business day of any month the sum of (1) the Tax Act Amount
5 required to be deposited into the Build Illinois Account in the
6 Build Illinois Fund during such month and (2) the amount
7 transferred during such month to the Build Illinois Fund from
8 the State and Local Sales Tax Reform Fund shall have been less
9 than 1/12 of the Annual Specified Amount, an amount equal to
10 the difference shall be immediately paid into the Build
11 Illinois Fund from other moneys received by the Department
12 pursuant to the Tax Acts; and, further provided, that in no
13 event shall the payments required under the preceding proviso
14 result in aggregate payments into the Build Illinois Fund
15 pursuant to this clause (b) for any fiscal year in excess of
16 the greater of (i) the Tax Act Amount or (ii) the Annual
17 Specified Amount for such fiscal year; and, further provided,
18 that the amounts payable into the Build Illinois Fund under
19 this clause (b) shall be payable only until such time as the
20 aggregate amount on deposit under each trust indenture securing
21 Bonds issued and outstanding pursuant to the Build Illinois
22 Bond Act is sufficient, taking into account any future
23 investment income, to fully provide, in accordance with such
24 indenture, for the defeasance of or the payment of the
25 principal of, premium, if any, and interest on the Bonds
26 secured by such indenture and on any Bonds expected to be

1 issued thereafter and all fees and costs payable with respect
2 thereto, all as certified by the Director of the Bureau of the
3 Budget (now Governor's Office of Management and Budget). If on
4 the last business day of any month in which Bonds are
5 outstanding pursuant to the Build Illinois Bond Act, the
6 aggregate of the moneys deposited in the Build Illinois Bond
7 Account in the Build Illinois Fund in such month shall be less
8 than the amount required to be transferred in such month from
9 the Build Illinois Bond Account to the Build Illinois Bond
10 Retirement and Interest Fund pursuant to Section 13 of the
11 Build Illinois Bond Act, an amount equal to such deficiency
12 shall be immediately paid from other moneys received by the
13 Department pursuant to the Tax Acts to the Build Illinois Fund;
14 provided, however, that any amounts paid to the Build Illinois
15 Fund in any fiscal year pursuant to this sentence shall be
16 deemed to constitute payments pursuant to clause (b) of the
17 preceding sentence and shall reduce the amount otherwise
18 payable for such fiscal year pursuant to clause (b) of the
19 preceding sentence. The moneys received by the Department
20 pursuant to this Act and required to be deposited into the
21 Build Illinois Fund are subject to the pledge, claim and charge
22 set forth in Section 12 of the Build Illinois Bond Act.

23 Subject to payment of amounts into the Build Illinois Fund
24 as provided in the preceding paragraph or in any amendment
25 thereto hereafter enacted, the following specified monthly
26 installment of the amount requested in the certificate of the

1 Chairman of the Metropolitan Pier and Exposition Authority
 2 provided under Section 8.25f of the State Finance Act, but not
 3 in excess of the sums designated as "Total Deposit", shall be
 4 deposited in the aggregate from collections under Section 9 of
 5 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
 6 9 of the Service Occupation Tax Act, and Section 3 of the
 7 Retailers' Occupation Tax Act into the McCormick Place
 8 Expansion Project Fund in the specified fiscal years.

9	Fiscal Year	Total
		Deposit
10	1993	\$0
11	1994	53,000,000
12	1995	58,000,000
13	1996	61,000,000
14	1997	64,000,000
15	1998	68,000,000
16	1999	71,000,000
17	2000	75,000,000
18	2001	80,000,000
19	2002	93,000,000
20	2003	99,000,000
21	2004	103,000,000
22	2005	108,000,000
23	2006	113,000,000
24	2007	119,000,000
25	2008	126,000,000

1	2009	132,000,000
2	2010	139,000,000
3	2011	146,000,000
4	2012	153,000,000
5	2013	161,000,000
6	2014	170,000,000
7	2015	179,000,000
8	2016	189,000,000
9	2017	199,000,000
10	2018	210,000,000
11	2019	221,000,000
12	2020	233,000,000
13	2021	246,000,000
14	2022	260,000,000
15	2023	275,000,000
16	2024	275,000,000
17	2025	275,000,000
18	2026	279,000,000
19	2027	292,000,000
20	2028	307,000,000
21	2029	322,000,000
22	2030	338,000,000
23	2031	350,000,000
24	2032	350,000,000
25	and	
26	each fiscal year	

1 thereafter that bonds
2 are outstanding under
3 Section 13.2 of the
4 Metropolitan Pier and
5 Exposition Authority Act,
6 but not after fiscal year 2060.

7 Beginning July 20, 1993 and in each month of each fiscal
8 year thereafter, one-eighth of the amount requested in the
9 certificate of the Chairman of the Metropolitan Pier and
10 Exposition Authority for that fiscal year, less the amount
11 deposited into the McCormick Place Expansion Project Fund by
12 the State Treasurer in the respective month under subsection
13 (g) of Section 13 of the Metropolitan Pier and Exposition
14 Authority Act, plus cumulative deficiencies in the deposits
15 required under this Section for previous months and years,
16 shall be deposited into the McCormick Place Expansion Project
17 Fund, until the full amount requested for the fiscal year, but
18 not in excess of the amount specified above as "Total Deposit",
19 has been deposited.

20 Subject to payment of amounts into the Build Illinois Fund
21 and the McCormick Place Expansion Project Fund pursuant to the
22 preceding paragraphs or in any amendments thereto hereafter
23 enacted, beginning July 1, 1993 and ending on September 30,
24 2013, the Department shall each month pay into the Illinois Tax
25 Increment Fund 0.27% of 80% of the net revenue realized for the
26 preceding month from the 6.25% general rate on the selling

1 price of tangible personal property.

2 Subject to payment of amounts into the Build Illinois Fund
3 and the McCormick Place Expansion Project Fund pursuant to the
4 preceding paragraphs or in any amendments thereto hereafter
5 enacted, beginning with the receipt of the first report of
6 taxes paid by an eligible business and continuing for a 25-year
7 period, the Department shall each month pay into the Energy
8 Infrastructure Fund 80% of the net revenue realized from the
9 6.25% general rate on the selling price of Illinois-mined coal
10 that was sold to an eligible business. For purposes of this
11 paragraph, the term "eligible business" means a new electric
12 generating facility certified pursuant to Section 605-332 of
13 the Department of Commerce and Economic Opportunity Law of the
14 Civil Administrative Code of Illinois.

15 Subject to payment of amounts into the Build Illinois Fund,
16 the McCormick Place Expansion Project Fund, the Illinois Tax
17 Increment Fund, and the Energy Infrastructure Fund pursuant to
18 the preceding paragraphs or in any amendments to this Section
19 hereafter enacted, beginning on the first day of the first
20 calendar month to occur on or after the effective date of this
21 amendatory Act of the 98th General Assembly, each month, from
22 the collections made under Section 9 of the Use Tax Act,
23 Section 9 of the Service Use Tax Act, Section 9 of the Service
24 Occupation Tax Act, and Section 3 of the Retailers' Occupation
25 Tax Act, the Department shall pay into the Tax Compliance and
26 Administration Fund, to be used, subject to appropriation, to

1 fund additional auditors and compliance personnel at the
2 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
3 the cash receipts collected during the preceding fiscal year by
4 the Audit Bureau of the Department under the Use Tax Act, the
5 Service Use Tax Act, the Service Occupation Tax Act, the
6 Retailers' Occupation Tax Act, and associated local occupation
7 and use taxes administered by the Department.

8 Of the remainder of the moneys received by the Department
9 pursuant to this Act, 75% shall be paid into the General
10 Revenue Fund of the State Treasury and 25% shall be reserved in
11 a special account and used only for the transfer to the Common
12 School Fund as part of the monthly transfer from the General
13 Revenue Fund in accordance with Section 8a of the State Finance
14 Act.

15 The Department may, upon separate written notice to a
16 taxpayer, require the taxpayer to prepare and file with the
17 Department on a form prescribed by the Department within not
18 less than 60 days after receipt of the notice an annual
19 information return for the tax year specified in the notice.
20 Such annual return to the Department shall include a statement
21 of gross receipts as shown by the taxpayer's last Federal
22 income tax return. If the total receipts of the business as
23 reported in the Federal income tax return do not agree with the
24 gross receipts reported to the Department of Revenue for the
25 same period, the taxpayer shall attach to his annual return a
26 schedule showing a reconciliation of the 2 amounts and the

1 reasons for the difference. The taxpayer's annual return to the
2 Department shall also disclose the cost of goods sold by the
3 taxpayer during the year covered by such return, opening and
4 closing inventories of such goods for such year, cost of goods
5 used from stock or taken from stock and given away by the
6 taxpayer during such year, pay roll information of the
7 taxpayer's business during such year and any additional
8 reasonable information which the Department deems would be
9 helpful in determining the accuracy of the monthly, quarterly
10 or annual returns filed by such taxpayer as hereinbefore
11 provided for in this Section.

12 If the annual information return required by this Section
13 is not filed when and as required, the taxpayer shall be liable
14 as follows:

15 (i) Until January 1, 1994, the taxpayer shall be liable
16 for a penalty equal to 1/6 of 1% of the tax due from such
17 taxpayer under this Act during the period to be covered by
18 the annual return for each month or fraction of a month
19 until such return is filed as required, the penalty to be
20 assessed and collected in the same manner as any other
21 penalty provided for in this Act.

22 (ii) On and after January 1, 1994, the taxpayer shall
23 be liable for a penalty as described in Section 3-4 of the
24 Uniform Penalty and Interest Act.

25 The chief executive officer, proprietor, owner or highest
26 ranking manager shall sign the annual return to certify the

1 accuracy of the information contained therein. Any person who
2 willfully signs the annual return containing false or
3 inaccurate information shall be guilty of perjury and punished
4 accordingly. The annual return form prescribed by the
5 Department shall include a warning that the person signing the
6 return may be liable for perjury.

7 The foregoing portion of this Section concerning the filing
8 of an annual information return shall not apply to a serviceman
9 who is not required to file an income tax return with the
10 United States Government.

11 As soon as possible after the first day of each month, upon
12 certification of the Department of Revenue, the Comptroller
13 shall order transferred and the Treasurer shall transfer from
14 the General Revenue Fund to the Motor Fuel Tax Fund an amount
15 equal to 1.7% of 80% of the net revenue realized under this Act
16 for the second preceding month. Beginning April 1, 2000, this
17 transfer is no longer required and shall not be made.

18 Net revenue realized for a month shall be the revenue
19 collected by the State pursuant to this Act, less the amount
20 paid out during that month as refunds to taxpayers for
21 overpayment of liability.

22 For greater simplicity of administration, it shall be
23 permissible for manufacturers, importers and wholesalers whose
24 products are sold by numerous servicemen in Illinois, and who
25 wish to do so, to assume the responsibility for accounting and
26 paying to the Department all tax accruing under this Act with

1 respect to such sales, if the servicemen who are affected do
2 not make written objection to the Department to this
3 arrangement.

4 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
5 98-298, eff. 8-9-13; 98-496, eff. 1-1-14; 98-756, eff. 7-16-14;
6 98-1098, eff. 8-26-14; 99-352, eff. 8-12-15.)

7 Section 25. The Retailers' Occupation Tax Act is amended by
8 changing Sections 2-5, 2-45, and 3 as follows:

9 (35 ILCS 120/2-5)

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

13 (1) Farm chemicals.

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

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

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

17 Farm machinery and equipment also includes computers,
18 sensors, software, and related equipment used primarily in the
19 computer-assisted operation of production agriculture
20 facilities, equipment, and activities such as, but not limited
21 to, the collection, monitoring, and correlation of animal and
22 crop data for the purpose of formulating animal diets and
23 agricultural chemicals. This item (2) is exempt from the
24 provisions of Section 2-70.

25 (3) Until July 1, 2003, distillation machinery and
26 equipment, sold as a unit or kit, assembled or installed by the

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

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

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

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

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

26 (8) Personal property sold to an Illinois county fair

1 association for use in conducting, operating, or promoting the
2 county fair.

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

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

25 (11) Personal property sold to a governmental body, to a
26 corporation, society, association, foundation, or institution

1 organized and operated exclusively for charitable, religious,
2 or educational purposes, or to a not-for-profit corporation,
3 society, association, foundation, institution, or organization
4 that has no compensated officers or employees and that 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. On and after July 1,
10 1987, however, no entity otherwise eligible for this exemption
11 shall make tax-free purchases unless it has an active
12 identification number issued by the Department.

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

22 (12-5) On and after July 1, 2003 and through June 30, 2004,
23 motor vehicles of the second division with a gross vehicle
24 weight in excess of 8,000 pounds that are subject to the
25 commercial distribution fee imposed under Section 3-815.1 of
26 the Illinois Vehicle Code. Beginning on July 1, 2004 and

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

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

21 (14) Machinery and equipment that will be used by the
22 purchaser, or a lessee of the purchaser, primarily in the
23 process of manufacturing or assembling tangible personal
24 property for wholesale or retail sale or lease, whether the
25 sale or lease is made directly by the manufacturer or by some
26 other person, whether the materials used in the process are

1 owned by the manufacturer or some other person, or whether the
2 sale or lease is made apart from or as an incident to the
3 seller's engaging in the service occupation of producing
4 machines, tools, dies, jigs, patterns, gauges, or other similar
5 items of no commercial value on special order for a particular
6 purchaser. The exemption provided by this paragraph (14) does
7 not include machinery and equipment used in (i) the generation
8 of electricity for wholesale or retail sale; (ii) the
9 generation or treatment of natural or artificial gas for
10 wholesale or retail sale that is delivered to customers through
11 pipes, pipelines, or mains; or (iii) the treatment of water for
12 wholesale or retail sale that is delivered to customers through
13 pipes, pipelines, or mains. The provisions of Public Act 98-583
14 are declaratory of existing law as to the meaning and scope of
15 this exemption. Beginning on August 31, 2014, manufacturing and
16 assembling machinery and equipment includes graphic arts
17 machinery and equipment, as defined in paragraph (4) of this
18 Section, and production related tangible personal property, as
19 defined in Section 2-45 of this Act. The exemption provided by
20 this paragraph (14) is exempt from the provisions of Section
21 2-70.

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

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

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

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

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

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

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

6 (21) Coal and aggregate exploration, mining, off-highway
7 hauling, processing, maintenance, and reclamation equipment,
8 including replacement parts and equipment, and including
9 equipment purchased for lease, but excluding motor vehicles
10 required to be registered under the Illinois Vehicle Code. The
11 changes made to this Section by Public Act 97-767 apply on and
12 after July 1, 2003, but no claim for credit or refund is
13 allowed on or after August 16, 2013 (the effective date of
14 Public Act 98-456) for such taxes paid during the period
15 beginning July 1, 2003 and ending on August 16, 2013 (the
16 effective date of Public Act 98-456). This paragraph (21) is
17 exempt from the provisions of Section 2-70.

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

25 Beginning July 1, 2013, fuel and petroleum products sold to
26 or used by an air carrier, certified by the carrier to be used

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

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

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

19 (25) Except as provided in item (25-5) of this Section, a
20 motor vehicle sold in this State to a nonresident even though
21 the motor vehicle is delivered to the nonresident in this
22 State, if the motor vehicle is not to be titled in this State,
23 and if a drive-away permit is issued to the motor vehicle as
24 provided in Section 3-603 of the Illinois Vehicle Code or if
25 the nonresident purchaser has vehicle registration plates to
26 transfer to the motor vehicle upon returning to his or her home

1 state. The issuance of the drive-away permit or having the
2 out-of-state registration plates to be transferred is prima
3 facie evidence that the motor vehicle will not be titled in
4 this State.

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

1 vehicle in the purchaser's state of residence if the purchaser
2 titles the vehicle in his or her state of residence within 30
3 days after the date of sale. The tax collected under this Act
4 in accordance with this item (25-5) shall be proportionately
5 distributed as if the tax were collected at the 6.25% general
6 rate imposed under this Act.

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

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

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

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

1 aircraft, and other information that the Department may
2 reasonably require.

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

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

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

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

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

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

1 January 1, 2008 (the effective date of Public Act 95-88).

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

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

15 (30) 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 (31) 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 (32) 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 2-70.

15 (33) 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 (34) 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 2-70.

21 (35) 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 2-70.

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

18 (36) Beginning August 2, 2001, computers and
19 communications equipment utilized for any hospital purpose and
20 equipment used in the diagnosis, analysis, or treatment of
21 hospital patients sold to a lessor who leases the equipment,
22 under a lease of one year or longer executed or in effect at
23 the time of the purchase, to a hospital that has been issued an
24 active tax exemption identification number by the Department
25 under Section 1g of this Act. This paragraph is exempt from the
26 provisions of Section 2-70.

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

8 (38) Beginning on January 1, 2002 and through June 30,
9 2016, tangible personal property purchased from an Illinois
10 retailer by a taxpayer engaged in centralized purchasing
11 activities in Illinois who will, upon receipt of the property
12 in Illinois, temporarily store the property in Illinois (i) for
13 the purpose of subsequently transporting it outside this State
14 for use or consumption thereafter solely outside this State or
15 (ii) for the purpose of being processed, fabricated, or
16 manufactured into, attached to, or incorporated into other
17 tangible personal property to be transported outside this State
18 and thereafter used or consumed solely outside this State. The
19 Director of Revenue shall, pursuant to rules adopted in
20 accordance with the Illinois Administrative Procedure Act,
21 issue a permit to any taxpayer in good standing with the
22 Department who is eligible for the exemption under this
23 paragraph (38). The permit issued under this paragraph (38)
24 shall authorize the holder, to the extent and in the manner
25 specified in the rules adopted under this Act, to purchase
26 tangible personal property from a retailer exempt from the

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

5 (39) Beginning January 1, 2008, tangible personal property
6 used in the construction or maintenance of a community water
7 supply, as defined under Section 3.145 of the Environmental
8 Protection Act, that is operated by a not-for-profit
9 corporation that holds a valid water supply permit issued under
10 Title IV of the Environmental Protection Act. This paragraph is
11 exempt from the provisions of Section 2-70.

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

1 tangible personal property to persons who modify, refurbish,
2 complete, replace, or maintain an aircraft and who (i) hold an
3 Air Agency Certificate and are empowered to operate an approved
4 repair station by the Federal Aviation Administration, (ii)
5 have a Class IV Rating, and (iii) conduct operations in
6 accordance with Part 145 of the Federal Aviation Regulations.
7 The exemption does not include aircraft operated by a
8 commercial air carrier providing scheduled passenger air
9 service pursuant to authority issued under Part 121 or Part 129
10 of the Federal Aviation Regulations. The changes made to this
11 paragraph (40) by Public Act 98-534 are declarative of existing
12 law.

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

1 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;
2 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.
3 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.
4 7-29-15.)

5 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

6 Sec. 2-45. Manufacturing and assembly exemption. The
7 manufacturing and assembly machinery and equipment exemption
8 includes machinery and equipment that replaces machinery and
9 equipment in an existing manufacturing facility as well as
10 machinery and equipment that are for use in an expanded or new
11 manufacturing facility.

12 The machinery and equipment exemption also includes
13 machinery and equipment used in the general maintenance or
14 repair of exempt machinery and equipment or for in-house
15 manufacture of exempt machinery and equipment. Beginning on
16 August 31, 2014, the manufacturing and assembling machinery and
17 equipment exemption also includes graphic arts machinery and
18 equipment, as defined in paragraph (4) of Section 2-5, and
19 production related tangible personal property, as defined in
20 this Section. The machinery and equipment exemption does not
21 include machinery and equipment used in (i) the generation of
22 electricity for wholesale or retail sale; (ii) the generation
23 or treatment of natural or artificial gas for wholesale or
24 retail sale that is delivered to customers through pipes,
25 pipelines, or mains; or (iii) the treatment of water for

1 wholesale or retail sale that is delivered to customers through
2 pipes, pipelines, or mains. The provisions of this amendatory
3 Act of the 98th General Assembly are declaratory of existing
4 law as to the meaning and scope of this exemption. For the
5 purposes of this exemption, terms have the following meanings:

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

24 (2) "Assembling 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 the combination of existing
3 materials in a manner commonly regarded as assembling that
4 results in a material of a different form, use, or name.

5 (3) "Machinery" means major mechanical machines or
6 major components of those machines contributing to a
7 manufacturing or assembling process.

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

23 (5) "Production related tangible personal property"
24 means all tangible personal property that is used or
25 consumed by the purchaser in a manufacturing facility in
26 which a manufacturing process takes place, including and

1 ~~includes, without limitation,~~ tangible personal property
2 that is purchased for incorporation into real estate within
3 a manufacturing facility and including, but not limited to,
4 tangible personal property that is used or consumed in
5 activities such as ~~research and development,~~ preproduction
6 material handling, receiving, quality control, inventory
7 control, storage, staging, and packaging for shipping and
8 transportation purposes. Tangible personal property used
9 or consumed by the purchaser for research and development
10 is considered "production related tangible personal
11 property" regardless of use within or without a
12 manufacturing facility. "Production related tangible
13 personal property" does not include (i) tangible personal
14 property that is used, within or without a manufacturing
15 facility, in sales, purchasing, accounting, fiscal
16 management, marketing, personnel recruitment or selection,
17 or landscaping or (ii) tangible personal property that is
18 required to be titled or registered with a department,
19 agency, or unit of federal, State, or local government.

20 ~~The manufacturing and assembling machinery and equipment~~
21 ~~exemption includes production related tangible personal~~
22 ~~property that is purchased on or after July 1, 2007 and on or~~
23 ~~before June 30, 2008. The exemption for production related~~
24 ~~tangible personal property is subject to both of the following~~
25 ~~limitations:~~

26 ~~(1) The maximum amount of the exemption for any one~~

1 ~~taxpayer may not exceed 5% of the purchase price of~~
2 ~~production related tangible personal property that is~~
3 ~~purchased on or after July 1, 2007 and on or before June~~
4 ~~30, 2008. A credit under Section 3-85 of this Act may not~~
5 ~~be earned by the purchase of production related tangible~~
6 ~~personal property for which an exemption is received under~~
7 ~~this Section.~~

8 ~~(2) The maximum aggregate amount of the exemptions for~~
9 ~~production related tangible personal property awarded~~
10 ~~under this Act and the Use Tax Act to all taxpayers may not~~
11 ~~exceed \$10,000,000. If the claims for the exemption exceed~~
12 ~~\$10,000,000, then the Department shall reduce the amount of~~
13 ~~the exemption to each taxpayer on a pro rata basis.~~

14 ~~The Department may adopt rules to implement and administer the~~
15 ~~exemption for production related tangible personal property.~~

16 The manufacturing and assembling machinery and equipment
17 exemption includes the sale of materials to a purchaser who
18 produces exempted types of machinery, equipment, or tools and
19 who rents or leases that machinery, equipment, or tools to a
20 manufacturer of tangible personal property. This exemption
21 also includes the sale of materials to a purchaser who
22 manufactures those materials into an exempted type of
23 machinery, equipment, or tools that the purchaser uses himself
24 or herself in the manufacturing of tangible personal property.
25 The purchaser of the machinery and equipment who has an active
26 resale registration number shall furnish that number to the

1 seller at the time of purchase. A purchaser of the machinery,
2 equipment, and tools without an active resale registration
3 number shall furnish to the seller a certificate of exemption
4 for each transaction stating facts establishing the exemption
5 for that transaction, and that certificate shall be available
6 to the Department for inspection or audit. Informal rulings,
7 opinions, or letters issued by the Department in response to an
8 inquiry or request for an opinion from any person regarding the
9 coverage and applicability of this exemption to specific
10 devices shall be published, maintained as a public record, and
11 made available for public inspection and copying. If the
12 informal ruling, opinion, or letter contains trade secrets or
13 other confidential information, where possible, the Department
14 shall delete that information before publication. Whenever
15 informal rulings, opinions, or letters contain a policy of
16 general applicability, the Department shall formulate and
17 adopt that policy as a rule in accordance with the Illinois
18 Administrative Procedure Act.

19 The exemption under this Section is exempt from the
20 provisions of Section 2-70.

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

22 (35 ILCS 120/3) (from Ch. 120, par. 442)

23 Sec. 3. Except as provided in this Section, on or before
24 the twentieth day of each calendar month, every person engaged
25 in the business of selling tangible personal property at retail

1 in this State during the preceding calendar month shall file a
2 return with the Department, stating:

3 1. The name of the seller;

4 2. His residence address and the address of his
5 principal place of business and the address of the
6 principal place of business (if that is a different
7 address) from which he engages in the business of selling
8 tangible personal property at retail in this State;

9 3. Total amount of receipts received by him during the
10 preceding calendar month or quarter, as the case may be,
11 from sales of tangible personal property, and from services
12 furnished, by him during such preceding calendar month or
13 quarter;

14 4. Total amount received by him during the preceding
15 calendar month or quarter on charge and time sales of
16 tangible personal property, and from services furnished,
17 by him prior to the month or quarter for which the return
18 is filed;

19 5. Deductions allowed by law;

20 6. Gross receipts which were received by him during the
21 preceding calendar month or quarter and upon the basis of
22 which the tax is imposed;

23 7. The amount of credit provided in Section 2d of this
24 Act;

25 8. The amount of tax due;

26 9. The signature of the taxpayer; and

1 10. Such other reasonable information as the
2 Department may require.

3 If a taxpayer fails to sign a return within 30 days after
4 the proper notice and demand for signature by the Department,
5 the return shall be considered valid and any amount shown to be
6 due on the return shall be deemed assessed.

7 Each return shall be accompanied by the statement of
8 prepaid tax issued pursuant to Section 2e for which credit is
9 claimed.

10 Prior to October 1, 2003, and on and after September 1,
11 2004 and through August 30, 2014, a retailer may accept a
12 Manufacturer's Purchase Credit certification from a purchaser
13 in satisfaction of Use Tax as provided in Section 3-85 of the
14 Use Tax Act if the purchaser provides the appropriate
15 documentation as required by Section 3-85 of the Use Tax Act. A
16 Manufacturer's Purchase Credit certification, accepted by a
17 retailer prior to October 1, 2003 and on and after September 1,
18 2004 and through August 30, 2014, as provided in Section 3-85
19 of the Use Tax Act, may be used through September 20, 2014 by
20 that retailer to satisfy Retailers' Occupation Tax liability in
21 the amount claimed in the certification, not to exceed 6.25% of
22 the receipts subject to tax from a qualifying purchase. A
23 Manufacturer's Purchase Credit reported on any original or
24 amended return filed under this Act after October 20, 2003 for
25 reporting periods prior to September 1, 2004 shall be
26 disallowed. A Manufacturer's Purchaser Credit reported on any

1 original or amended return filed under this Act after September
2 20, 2014 shall be disallowed. Manufacturer's Purchaser Credit
3 reported on annual returns due on or after January 1, 2005 will
4 be disallowed for periods prior to September 1, 2004. A
5 Manufacturer's Purchase Credit reported on an annual return due
6 on or after January 1, 2015 shall be disallowed for periods on
7 and after August 31, 2014. No Manufacturer's Purchase Credit
8 may be used after September 30, 2003 through August 31, 2004,
9 or after September 20, 2014, to satisfy any tax liability
10 imposed under this Act, including any audit liability.

11 The Department may require returns to be filed on a
12 quarterly basis. If so required, a return for each calendar
13 quarter shall be filed on or before the twentieth day of the
14 calendar month following the end of such calendar quarter. The
15 taxpayer shall also file a return with the Department for each
16 of the first two months of each calendar quarter, on or before
17 the twentieth day of the following calendar month, stating:

18 1. The name of the seller;

19 2. The address of the principal place of business from
20 which he engages in the business of selling tangible
21 personal property at retail in this State;

22 3. The total amount of taxable receipts received by him
23 during the preceding calendar month from sales of tangible
24 personal property by him during such preceding calendar
25 month, including receipts from charge and time sales, but
26 less all deductions allowed by law;

1 4. The amount of credit provided in Section 2d of this
2 Act;

3 5. The amount of tax due; and

4 6. Such other reasonable information as the Department
5 may require.

6 Beginning on October 1, 2003, any person who is not a
7 licensed distributor, importing distributor, or manufacturer,
8 as defined in the Liquor Control Act of 1934, but is engaged in
9 the business of selling, at retail, alcoholic liquor shall file
10 a statement with the Department of Revenue, in a format and at
11 a time prescribed by the Department, showing the total amount
12 paid for alcoholic liquor purchased during the preceding month
13 and such other information as is reasonably required by the
14 Department. The Department may adopt rules to require that this
15 statement be filed in an electronic or telephonic format. Such
16 rules may provide for exceptions from the filing requirements
17 of this paragraph. For the purposes of this paragraph, the term
18 "alcoholic liquor" shall have the meaning prescribed in the
19 Liquor Control Act of 1934.

20 Beginning on October 1, 2003, every distributor, importing
21 distributor, and manufacturer of alcoholic liquor as defined in
22 the Liquor Control Act of 1934, shall file a statement with the
23 Department of Revenue, no later than the 10th day of the month
24 for the preceding month during which transactions occurred, by
25 electronic means, showing the total amount of gross receipts
26 from the sale of alcoholic liquor sold or distributed during

1 the preceding month to purchasers; identifying the purchaser to
2 whom it was sold or distributed; the purchaser's tax
3 registration number; and such other information reasonably
4 required by the Department. A distributor, importing
5 distributor, or manufacturer of alcoholic liquor must
6 personally deliver, mail, or provide by electronic means to
7 each retailer listed on the monthly statement a report
8 containing a cumulative total of that distributor's, importing
9 distributor's, or manufacturer's total sales of alcoholic
10 liquor to that retailer no later than the 10th day of the month
11 for the preceding month during which the transaction occurred.
12 The distributor, importing distributor, or manufacturer shall
13 notify the retailer as to the method by which the distributor,
14 importing distributor, or manufacturer will provide the sales
15 information. If the retailer is unable to receive the sales
16 information by electronic means, the distributor, importing
17 distributor, or manufacturer shall furnish the sales
18 information by personal delivery or by mail. For purposes of
19 this paragraph, the term "electronic means" includes, but is
20 not limited to, the use of a secure Internet website, e-mail,
21 or facsimile.

22 If a total amount of less than \$1 is payable, refundable or
23 creditable, such amount shall be disregarded if it is less than
24 50 cents and shall be increased to \$1 if it is 50 cents or more.

25 Beginning October 1, 1993, a taxpayer who has an average
26 monthly tax liability of \$150,000 or more shall make all

1 payments required by rules of the Department by electronic
2 funds transfer. Beginning October 1, 1994, a taxpayer who has
3 an average monthly tax liability of \$100,000 or more shall make
4 all payments required by rules of the Department by electronic
5 funds transfer. Beginning October 1, 1995, a taxpayer who has
6 an average monthly tax liability of \$50,000 or more shall make
7 all payments required by rules of the Department by electronic
8 funds transfer. Beginning October 1, 2000, a taxpayer who has
9 an annual tax liability of \$200,000 or more shall make all
10 payments required by rules of the Department by electronic
11 funds transfer. The term "annual tax liability" shall be the
12 sum of the taxpayer's liabilities under this Act, and under all
13 other State and local occupation and use tax laws administered
14 by the Department, for the immediately preceding calendar year.
15 The term "average monthly tax liability" shall be the sum of
16 the taxpayer's liabilities under this Act, and under all other
17 State and local occupation and use tax laws administered by the
18 Department, for the immediately preceding calendar year
19 divided by 12. Beginning on October 1, 2002, a taxpayer who has
20 a tax liability in the amount set forth in subsection (b) of
21 Section 2505-210 of the Department of Revenue Law shall make
22 all payments required by rules of the Department by electronic
23 funds transfer.

24 Before August 1 of each year beginning in 1993, the
25 Department shall notify all taxpayers required to make payments
26 by electronic funds transfer. All taxpayers required to make

1 payments by electronic funds transfer shall make those payments
2 for a minimum of one year beginning on October 1.

3 Any taxpayer not required to make payments by electronic
4 funds transfer may make payments by electronic funds transfer
5 with the permission of the Department.

6 All taxpayers required to make payment by electronic funds
7 transfer and any taxpayers authorized to voluntarily make
8 payments by electronic funds transfer shall make those payments
9 in the manner authorized by the Department.

10 The Department shall adopt such rules as are necessary to
11 effectuate a program of electronic funds transfer and the
12 requirements of this Section.

13 Any amount which is required to be shown or reported on any
14 return or other document under this Act shall, if such amount
15 is not a whole-dollar amount, be increased to the nearest
16 whole-dollar amount in any case where the fractional part of a
17 dollar is 50 cents or more, and decreased to the nearest
18 whole-dollar amount where the fractional part of a dollar is
19 less than 50 cents.

20 If the retailer is otherwise required to file a monthly
21 return and if the retailer's average monthly tax liability to
22 the Department does not exceed \$200, the Department may
23 authorize his returns to be filed on a quarter annual basis,
24 with the return for January, February and March of a given year
25 being due by April 20 of such year; with the return for April,
26 May and June of a given year being due by July 20 of such year;

1 with the return for July, August and September of a given year
2 being due by October 20 of such year, and with the return for
3 October, November and December of a given year being due by
4 January 20 of the following year.

5 If the retailer is otherwise required to file a monthly or
6 quarterly return and if the retailer's average monthly tax
7 liability with the Department does not exceed \$50, the
8 Department may authorize his returns to be filed on an annual
9 basis, with the return for a given year being due by January 20
10 of the following year.

11 Such quarter annual and annual returns, as to form and
12 substance, shall be subject to the same requirements as monthly
13 returns.

14 Notwithstanding any other provision in this Act concerning
15 the time within which a retailer may file his return, in the
16 case of any retailer who ceases to engage in a kind of business
17 which makes him responsible for filing returns under this Act,
18 such retailer shall file a final return under this Act with the
19 Department not more than one month after discontinuing such
20 business.

21 Where the same person has more than one business registered
22 with the Department under separate registrations under this
23 Act, such person may not file each return that is due as a
24 single return covering all such registered businesses, but
25 shall file separate returns for each such registered business.

26 In addition, with respect to motor vehicles, watercraft,

1 aircraft, and trailers that are required to be registered with
2 an agency of this State, every retailer selling this kind of
3 tangible personal property shall file, with the Department,
4 upon a form to be prescribed and supplied by the Department, a
5 separate return for each such item of tangible personal
6 property which the retailer sells, except that if, in the same
7 transaction, (i) a retailer of aircraft, watercraft, motor
8 vehicles or trailers transfers more than one aircraft,
9 watercraft, motor vehicle or trailer to another aircraft,
10 watercraft, motor vehicle retailer or trailer retailer for the
11 purpose of resale or (ii) a retailer of aircraft, watercraft,
12 motor vehicles, or trailers transfers more than one aircraft,
13 watercraft, motor vehicle, or trailer to a purchaser for use as
14 a qualifying rolling stock as provided in Section 2-5 of this
15 Act, then that seller may report the transfer of all aircraft,
16 watercraft, motor vehicles or trailers involved in that
17 transaction to the Department on the same uniform
18 invoice-transaction reporting return form. For purposes of
19 this Section, "watercraft" means a Class 2, Class 3, or Class 4
20 watercraft as defined in Section 3-2 of the Boat Registration
21 and Safety Act, a personal watercraft, or any boat equipped
22 with an inboard motor.

23 Any retailer who sells only motor vehicles, watercraft,
24 aircraft, or trailers that are required to be registered with
25 an agency of this State, so that all retailers' occupation tax
26 liability is required to be reported, and is reported, on such

1 transaction reporting returns and who is not otherwise required
2 to file monthly or quarterly returns, need not file monthly or
3 quarterly returns. However, those retailers shall be required
4 to file returns on an annual basis.

5 The transaction reporting return, in the case of motor
6 vehicles or trailers that are required to be registered with an
7 agency of this State, shall be the same document as the Uniform
8 Invoice referred to in Section 5-402 of The Illinois Vehicle
9 Code and must show the name and address of the seller; the name
10 and address of the purchaser; the amount of the selling price
11 including the amount allowed by the retailer for traded-in
12 property, if any; the amount allowed by the retailer for the
13 traded-in tangible personal property, if any, to the extent to
14 which Section 1 of this Act allows an exemption for the value
15 of traded-in property; the balance payable after deducting such
16 trade-in allowance from the total selling price; the amount of
17 tax due from the retailer with respect to such transaction; the
18 amount of tax collected from the purchaser by the retailer on
19 such transaction (or satisfactory evidence that such tax is not
20 due in that particular instance, if that is claimed to be the
21 fact); the place and date of the sale; a sufficient
22 identification of the property sold; such other information as
23 is required in Section 5-402 of The Illinois Vehicle Code, and
24 such other information as the Department may reasonably
25 require.

26 The transaction reporting return in the case of watercraft

1 or aircraft must show the name and address of the seller; the
2 name and address of the purchaser; the amount of the selling
3 price including the amount allowed by the retailer for
4 traded-in property, if any; the amount allowed by the retailer
5 for the traded-in tangible personal property, if any, to the
6 extent to which Section 1 of this Act allows an exemption for
7 the value of traded-in property; the balance payable after
8 deducting such trade-in allowance from the total selling price;
9 the amount of tax due from the retailer with respect to such
10 transaction; the amount of tax collected from the purchaser by
11 the retailer on such transaction (or satisfactory evidence that
12 such tax is not due in that particular instance, if that is
13 claimed to be the fact); the place and date of the sale, a
14 sufficient identification of the property sold, and such other
15 information as the Department may reasonably require.

16 Such transaction reporting return shall be filed not later
17 than 20 days after the day of delivery of the item that is
18 being sold, but may be filed by the retailer at any time sooner
19 than that if he chooses to do so. The transaction reporting
20 return and tax remittance or proof of exemption from the
21 Illinois use tax may be transmitted to the Department by way of
22 the State agency with which, or State officer with whom the
23 tangible personal property must be titled or registered (if
24 titling or registration is required) if the Department and such
25 agency or State officer determine that this procedure will
26 expedite the processing of applications for title or

1 registration.

2 With each such transaction reporting return, the retailer
3 shall remit the proper amount of tax due (or shall submit
4 satisfactory evidence that the sale is not taxable if that is
5 the case), to the Department or its agents, whereupon the
6 Department shall issue, in the purchaser's name, a use tax
7 receipt (or a certificate of exemption if the Department is
8 satisfied that the particular sale is tax exempt) which such
9 purchaser may submit to the agency with which, or State officer
10 with whom, he must title or register the tangible personal
11 property that is involved (if titling or registration is
12 required) in support of such purchaser's application for an
13 Illinois certificate or other evidence of title or registration
14 to such tangible personal property.

15 No retailer's failure or refusal to remit tax under this
16 Act precludes a user, who has paid the proper tax to the
17 retailer, from obtaining his certificate of title or other
18 evidence of title or registration (if titling or registration
19 is required) upon satisfying the Department that such user has
20 paid the proper tax (if tax is due) to the retailer. The
21 Department shall adopt appropriate rules to carry out the
22 mandate of this paragraph.

23 If the user who would otherwise pay tax to the retailer
24 wants the transaction reporting return filed and the payment of
25 the tax or proof of exemption made to the Department before the
26 retailer is willing to take these actions and such user has not

1 paid the tax to the retailer, such user may certify to the fact
2 of such delay by the retailer and may (upon the Department
3 being satisfied of the truth of such certification) transmit
4 the information required by the transaction reporting return
5 and the remittance for tax or proof of exemption directly to
6 the Department and obtain his tax receipt or exemption
7 determination, in which event the transaction reporting return
8 and tax remittance (if a tax payment was required) shall be
9 credited by the Department to the proper retailer's account
10 with the Department, but without the 2.1% or 1.75% discount
11 provided for in this Section being allowed. When the user pays
12 the tax directly to the Department, he shall pay the tax in the
13 same amount and in the same form in which it would be remitted
14 if the tax had been remitted to the Department by the retailer.

15 Refunds made by the seller during the preceding return
16 period to purchasers, on account of tangible personal property
17 returned to the seller, shall be allowed as a deduction under
18 subdivision 5 of his monthly or quarterly return, as the case
19 may be, in case the seller had theretofore included the
20 receipts from the sale of such tangible personal property in a
21 return filed by him and had paid the tax imposed by this Act
22 with respect to such receipts.

23 Where the seller is a corporation, the return filed on
24 behalf of such corporation shall be signed by the president,
25 vice-president, secretary or treasurer or by the properly
26 accredited agent of such corporation.

1 Where the seller is a limited liability company, the return
2 filed on behalf of the limited liability company shall be
3 signed by a manager, member, or properly accredited agent of
4 the limited liability company.

5 Except as provided in this Section, the retailer filing the
6 return under this Section shall, at the time of filing such
7 return, pay to the Department the amount of tax imposed by this
8 Act less a discount of 2.1% prior to January 1, 1990 and 1.75%
9 on and after January 1, 1990, or \$5 per calendar year,
10 whichever is greater, which is allowed to reimburse the
11 retailer for the expenses incurred in keeping records,
12 preparing and filing returns, remitting the tax and supplying
13 data to the Department on request. Any prepayment made pursuant
14 to Section 2d of this Act shall be included in the amount on
15 which such 2.1% or 1.75% discount is computed. In the case of
16 retailers who report and pay the tax on a transaction by
17 transaction basis, as provided in this Section, such discount
18 shall be taken with each such tax remittance instead of when
19 such retailer files his periodic return. The Department may
20 disallow the discount for retailers whose certificate of
21 registration is revoked at the time the return is filed, but
22 only if the Department's decision to revoke the certificate of
23 registration has become final.

24 Before October 1, 2000, if the taxpayer's average monthly
25 tax liability to the Department under this Act, the Use Tax
26 Act, the Service Occupation Tax Act, and the Service Use Tax

1 Act, excluding any liability for prepaid sales tax to be
2 remitted in accordance with Section 2d of this Act, was \$10,000
3 or more during the preceding 4 complete calendar quarters, he
4 shall file a return with the Department each month by the 20th
5 day of the month next following the month during which such tax
6 liability is incurred and shall make payments to the Department
7 on or before the 7th, 15th, 22nd and last day of the month
8 during which such liability is incurred. On and after October
9 1, 2000, if the taxpayer's average monthly tax liability to the
10 Department under this Act, the Use Tax Act, the Service
11 Occupation Tax Act, and the Service Use Tax Act, excluding any
12 liability for prepaid sales tax to be remitted in accordance
13 with Section 2d of this Act, was \$20,000 or more during the
14 preceding 4 complete calendar quarters, he shall file a return
15 with the Department each month by the 20th day of the month
16 next following the month during which such tax liability is
17 incurred and shall make payment to the Department on or before
18 the 7th, 15th, 22nd and last day of the month during which such
19 liability is incurred. If the month during which such tax
20 liability is incurred began prior to January 1, 1985, each
21 payment shall be in an amount equal to 1/4 of the taxpayer's
22 actual liability for the month or an amount set by the
23 Department not to exceed 1/4 of the average monthly liability
24 of the taxpayer to the Department for the preceding 4 complete
25 calendar quarters (excluding the month of highest liability and
26 the month of lowest liability in such 4 quarter period). If the

1 month during which such tax liability is incurred begins on or
2 after January 1, 1985 and prior to January 1, 1987, each
3 payment shall be in an amount equal to 22.5% of the taxpayer's
4 actual liability for the month or 27.5% of the taxpayer's
5 liability for the same calendar month of the preceding year. If
6 the month during which such tax liability is incurred begins on
7 or after January 1, 1987 and prior to January 1, 1988, each
8 payment shall be in an amount equal to 22.5% of the taxpayer's
9 actual liability for the month or 26.25% of the taxpayer's
10 liability for the same calendar month of the preceding year. If
11 the month during which such tax liability is incurred begins on
12 or after January 1, 1988, and prior to January 1, 1989, or
13 begins on or after January 1, 1996, each payment shall be in an
14 amount equal to 22.5% of the taxpayer's actual liability for
15 the month or 25% of the taxpayer's liability for the same
16 calendar month of the preceding year. If the month during which
17 such tax liability is incurred begins on or after January 1,
18 1989, and prior to January 1, 1996, each payment shall be in an
19 amount equal to 22.5% of the taxpayer's actual liability for
20 the month or 25% of the taxpayer's liability for the same
21 calendar month of the preceding year or 100% of the taxpayer's
22 actual liability for the quarter monthly reporting period. The
23 amount of such quarter monthly payments shall be credited
24 against the final tax liability of the taxpayer's return for
25 that month. Before October 1, 2000, once applicable, the
26 requirement of the making of quarter monthly payments to the

1 Department by taxpayers having an average monthly tax liability
2 of \$10,000 or more as determined in the manner provided above
3 shall continue until such taxpayer's average monthly liability
4 to the Department during the preceding 4 complete calendar
5 quarters (excluding the month of highest liability and the
6 month of lowest liability) is less than \$9,000, or until such
7 taxpayer's average monthly liability to the Department as
8 computed for each calendar quarter of the 4 preceding complete
9 calendar quarter period is less than \$10,000. However, if a
10 taxpayer can show the Department that a substantial change in
11 the taxpayer's business has occurred which causes the taxpayer
12 to anticipate that his average monthly tax liability for the
13 reasonably foreseeable future will fall below the \$10,000
14 threshold stated above, then such taxpayer may petition the
15 Department for a change in such taxpayer's reporting status. On
16 and after October 1, 2000, once applicable, the requirement of
17 the making of quarter monthly payments to the Department by
18 taxpayers having an average monthly tax liability of \$20,000 or
19 more as determined in the manner provided above shall continue
20 until such taxpayer's average monthly liability to the
21 Department during the preceding 4 complete calendar quarters
22 (excluding the month of highest liability and the month of
23 lowest liability) is less than \$19,000 or until such taxpayer's
24 average monthly liability to the Department as computed for
25 each calendar quarter of the 4 preceding complete calendar
26 quarter period is less than \$20,000. However, if a taxpayer can

1 show the Department that a substantial change in the taxpayer's
2 business has occurred which causes the taxpayer to anticipate
3 that his average monthly tax liability for the reasonably
4 foreseeable future will fall below the \$20,000 threshold stated
5 above, then such taxpayer may petition the Department for a
6 change in such taxpayer's reporting status. The Department
7 shall change such taxpayer's reporting status unless it finds
8 that such change is seasonal in nature and not likely to be
9 long term. If any such quarter monthly payment is not paid at
10 the time or in the amount required by this Section, then the
11 taxpayer shall be liable for penalties and interest on the
12 difference between the minimum amount due as a payment and the
13 amount of such quarter monthly payment actually and timely
14 paid, except insofar as the taxpayer has previously made
15 payments for that month to the Department in excess of the
16 minimum payments previously due as provided in this Section.
17 The Department shall make reasonable rules and regulations to
18 govern the quarter monthly payment amount and quarter monthly
19 payment dates for taxpayers who file on other than a calendar
20 monthly basis.

21 The provisions of this paragraph apply before October 1,
22 2001. Without regard to whether a taxpayer is required to make
23 quarter monthly payments as specified above, any taxpayer who
24 is required by Section 2d of this Act to collect and remit
25 prepaid taxes and has collected prepaid taxes which average in
26 excess of \$25,000 per month during the preceding 2 complete

1 calendar quarters, shall file a return with the Department as
2 required by Section 2f and shall make payments to the
3 Department on or before the 7th, 15th, 22nd and last day of the
4 month during which such liability is incurred. If the month
5 during which such tax liability is incurred began prior to the
6 effective date of this amendatory Act of 1985, each payment
7 shall be in an amount not less than 22.5% of the taxpayer's
8 actual liability under Section 2d. If the month during which
9 such tax liability is incurred begins on or after January 1,
10 1986, each payment shall be in an amount equal to 22.5% of the
11 taxpayer's actual liability for the month or 27.5% of the
12 taxpayer's liability for the same calendar month of the
13 preceding calendar year. If the month during which such tax
14 liability is incurred begins on or after January 1, 1987, each
15 payment shall be in an amount equal to 22.5% of the taxpayer's
16 actual liability for the month or 26.25% of the taxpayer's
17 liability for the same calendar month of the preceding year.
18 The amount of such quarter monthly payments shall be credited
19 against the final tax liability of the taxpayer's return for
20 that month filed under this Section or Section 2f, as the case
21 may be. Once applicable, the requirement of the making of
22 quarter monthly payments to the Department pursuant to this
23 paragraph shall continue until such taxpayer's average monthly
24 prepaid tax collections during the preceding 2 complete
25 calendar quarters is \$25,000 or less. If any such quarter
26 monthly payment is not paid at the time or in the amount

1 required, the taxpayer shall be liable for penalties and
2 interest on such difference, except insofar as the taxpayer has
3 previously made payments for that month in excess of the
4 minimum payments previously due.

5 The provisions of this paragraph apply on and after October
6 1, 2001. Without regard to whether a taxpayer is required to
7 make quarter monthly payments as specified above, any taxpayer
8 who is required by Section 2d of this Act to collect and remit
9 prepaid taxes and has collected prepaid taxes that average in
10 excess of \$20,000 per month during the preceding 4 complete
11 calendar quarters shall file a return with the Department as
12 required by Section 2f and shall make payments to the
13 Department on or before the 7th, 15th, 22nd and last day of the
14 month during which the liability is incurred. Each payment
15 shall be in an amount equal to 22.5% of the taxpayer's actual
16 liability for the month or 25% of the taxpayer's liability for
17 the same calendar month of the preceding year. The amount of
18 the quarter monthly payments shall be credited against the
19 final tax liability of the taxpayer's return for that month
20 filed under this Section or Section 2f, as the case may be.
21 Once applicable, the requirement of the making of quarter
22 monthly payments to the Department pursuant to this paragraph
23 shall continue until the taxpayer's average monthly prepaid tax
24 collections during the preceding 4 complete calendar quarters
25 (excluding the month of highest liability and the month of
26 lowest liability) is less than \$19,000 or until such taxpayer's

1 average monthly liability to the Department as computed for
2 each calendar quarter of the 4 preceding complete calendar
3 quarters is less than \$20,000. If any such quarter monthly
4 payment is not paid at the time or in the amount required, the
5 taxpayer shall be liable for penalties and interest on such
6 difference, except insofar as the taxpayer has previously made
7 payments for that month in excess of the minimum payments
8 previously due.

9 If any payment provided for in this Section exceeds the
10 taxpayer's liabilities under this Act, the Use Tax Act, the
11 Service Occupation Tax Act and the Service Use Tax Act, as
12 shown on an original monthly return, the Department shall, if
13 requested by the taxpayer, issue to the taxpayer a credit
14 memorandum no later than 30 days after the date of payment. The
15 credit evidenced by such credit memorandum may be assigned by
16 the taxpayer to a similar taxpayer under this Act, the Use Tax
17 Act, the Service Occupation Tax Act or the Service Use Tax Act,
18 in accordance with reasonable rules and regulations to be
19 prescribed by the Department. If no such request is made, the
20 taxpayer may credit such excess payment against tax liability
21 subsequently to be remitted to the Department under this Act,
22 the Use Tax Act, the Service Occupation Tax Act or the Service
23 Use Tax Act, in accordance with reasonable rules and
24 regulations prescribed by the Department. If the Department
25 subsequently determined that all or any part of the credit
26 taken was not actually due to the taxpayer, the taxpayer's 2.1%

1 and 1.75% vendor's discount shall be reduced by 2.1% or 1.75%
2 of the difference between the credit taken and that actually
3 due, and that taxpayer shall be liable for penalties and
4 interest on such difference.

5 If a retailer of motor fuel is entitled to a credit under
6 Section 2d of this Act which exceeds the taxpayer's liability
7 to the Department under this Act for the month which the
8 taxpayer is filing a return, the Department shall issue the
9 taxpayer a credit memorandum for the excess.

10 Beginning January 1, 1990, each month the Department shall
11 pay into the Local Government Tax Fund, a special fund in the
12 State treasury which is hereby created, the net revenue
13 realized for the preceding month from the 1% tax on sales of
14 food for human consumption which is to be consumed off the
15 premises where it is sold (other than alcoholic beverages, soft
16 drinks and food which has been prepared for immediate
17 consumption) and prescription and nonprescription medicines,
18 drugs, medical appliances and insulin, urine testing
19 materials, syringes and needles used by diabetics.

20 Beginning January 1, 1990, each month the Department shall
21 pay into the County and Mass Transit District Fund, a special
22 fund in the State treasury which is hereby created, 4% of the
23 net revenue realized for the preceding month from the 6.25%
24 general rate.

25 Beginning August 1, 2000, each month the Department shall
26 pay into the County and Mass Transit District Fund 20% of the

1 net revenue realized for the preceding month from the 1.25%
2 rate on the selling price of motor fuel and gasohol. Beginning
3 September 1, 2010, each month the Department shall pay into the
4 County and Mass Transit District Fund 20% of the net revenue
5 realized for the preceding month from the 1.25% rate on the
6 selling price of sales tax holiday items.

7 Beginning January 1, 1990, each month the Department shall
8 pay into the Local Government Tax Fund 16% of the net revenue
9 realized for the preceding month from the 6.25% general rate on
10 the selling price of tangible personal property.

11 Beginning August 1, 2000, each month the Department shall
12 pay into the Local Government Tax Fund 80% of the net revenue
13 realized for the preceding month from the 1.25% rate on the
14 selling price of motor fuel and gasohol. Beginning September 1,
15 2010, each month the Department shall pay into the Local
16 Government Tax Fund 80% of the net revenue realized for the
17 preceding month from the 1.25% rate on the selling price of
18 sales tax holiday items.

19 Beginning October 1, 2009, each month the Department shall
20 pay into the Capital Projects Fund an amount that is equal to
21 an amount estimated by the Department to represent 80% of the
22 net revenue realized for the preceding month from the sale of
23 candy, grooming and hygiene products, and soft drinks that had
24 been taxed at a rate of 1% prior to September 1, 2009 but that
25 are now taxed at 6.25%.

26 Beginning July 1, 2011, each month the Department shall pay

1 into the Clean Air Act (CAA) Permit Fund 80% of the net revenue
2 realized for the preceding month from the 6.25% general rate on
3 the selling price of sorbents used in Illinois in the process
4 of sorbent injection as used to comply with the Environmental
5 Protection Act or the federal Clean Air Act, but the total
6 payment into the Clean Air Act (CAA) Permit Fund under this Act
7 and the Use Tax Act shall not exceed \$2,000,000 in any fiscal
8 year.

9 Beginning July 1, 2013, each month the Department shall pay
10 into the Underground Storage Tank Fund from the proceeds
11 collected under this Act, the Use Tax Act, the Service Use Tax
12 Act, and the Service Occupation Tax Act an amount equal to the
13 average monthly deficit in the Underground Storage Tank Fund
14 during the prior year, as certified annually by the Illinois
15 Environmental Protection Agency, but the total payment into the
16 Underground Storage Tank Fund under this Act, the Use Tax Act,
17 the Service Use Tax Act, and the Service Occupation Tax Act
18 shall not exceed \$18,000,000 in any State fiscal year. As used
19 in this paragraph, the "average monthly deficit" shall be equal
20 to the difference between the average monthly claims for
21 payment by the fund and the average monthly revenues deposited
22 into the fund, excluding payments made pursuant to this
23 paragraph.

24 Beginning July 1, 2015, of the remainder of the moneys
25 received by the Department under the Use Tax Act, the Service
26 Use Tax Act, the Service Occupation Tax Act, and this Act, each

1 month the Department shall deposit \$500,000 into the State
2 Crime Laboratory Fund.

3 Of the remainder of the moneys received by the Department
4 pursuant to this Act, (a) 1.75% thereof shall be paid into the
5 Build Illinois Fund and (b) prior to July 1, 1989, 2.2% and on
6 and after July 1, 1989, 3.8% thereof shall be paid into the
7 Build Illinois Fund; provided, however, that if in any fiscal
8 year the sum of (1) the aggregate of 2.2% or 3.8%, as the case
9 may be, of the moneys received by the Department and required
10 to be paid into the Build Illinois Fund pursuant to this Act,
11 Section 9 of the Use Tax Act, Section 9 of the Service Use Tax
12 Act, and Section 9 of the Service Occupation Tax Act, such Acts
13 being hereinafter called the "Tax Acts" and such aggregate of
14 2.2% or 3.8%, as the case may be, of moneys being hereinafter
15 called the "Tax Act Amount", and (2) the amount transferred to
16 the Build Illinois Fund from the State and Local Sales Tax
17 Reform Fund shall be less than the Annual Specified Amount (as
18 hereinafter defined), an amount equal to the difference shall
19 be immediately paid into the Build Illinois Fund from other
20 moneys received by the Department pursuant to the Tax Acts; the
21 "Annual Specified Amount" means the amounts specified below for
22 fiscal years 1986 through 1993:

23	Fiscal Year	Annual Specified Amount
24	1986	\$54,800,000
25	1987	\$76,650,000
26	1988	\$80,480,000

1	1989	\$88,510,000
2	1990	\$115,330,000
3	1991	\$145,470,000
4	1992	\$182,730,000
5	1993	\$206,520,000;

6 and means the Certified Annual Debt Service Requirement (as
7 defined in Section 13 of the Build Illinois Bond Act) or the
8 Tax Act Amount, whichever is greater, for fiscal year 1994 and
9 each fiscal year thereafter; and further provided, that if on
10 the last business day of any month the sum of (1) the Tax Act
11 Amount required to be deposited into the Build Illinois Bond
12 Account in the Build Illinois Fund during such month and (2)
13 the amount transferred to the Build Illinois Fund from the
14 State and Local Sales Tax Reform Fund shall have been less than
15 1/12 of the Annual Specified Amount, an amount equal to the
16 difference shall be immediately paid into the Build Illinois
17 Fund from other moneys received by the Department pursuant to
18 the Tax Acts; and, further provided, that in no event shall the
19 payments required under the preceding proviso result in
20 aggregate payments into the Build Illinois Fund pursuant to
21 this clause (b) for any fiscal year in excess of the greater of
22 (i) the Tax Act Amount or (ii) the Annual Specified Amount for
23 such fiscal year. The amounts payable into the Build Illinois
24 Fund under clause (b) of the first sentence in this paragraph
25 shall be payable only until such time as the aggregate amount
26 on deposit under each trust indenture securing Bonds issued and

1 outstanding pursuant to the Build Illinois Bond Act is
2 sufficient, taking into account any future investment income,
3 to fully provide, in accordance with such indenture, for the
4 defeasance of or the payment of the principal of, premium, if
5 any, and interest on the Bonds secured by such indenture and on
6 any Bonds expected to be issued thereafter and all fees and
7 costs payable with respect thereto, all as certified by the
8 Director of the Bureau of the Budget (now Governor's Office of
9 Management and Budget). If on the last business day of any
10 month in which Bonds are outstanding pursuant to the Build
11 Illinois Bond Act, the aggregate of moneys deposited in the
12 Build Illinois Bond Account in the Build Illinois Fund in such
13 month shall be less than the amount required to be transferred
14 in such month from the Build Illinois Bond Account to the Build
15 Illinois Bond Retirement and Interest Fund pursuant to Section
16 13 of the Build Illinois Bond Act, an amount equal to such
17 deficiency shall be immediately paid from other moneys received
18 by the Department pursuant to the Tax Acts to the Build
19 Illinois Fund; provided, however, that any amounts paid to the
20 Build Illinois Fund in any fiscal year pursuant to this
21 sentence shall be deemed to constitute payments pursuant to
22 clause (b) of the first sentence of this paragraph and shall
23 reduce the amount otherwise payable for such fiscal year
24 pursuant to that clause (b). The moneys received by the
25 Department pursuant to this Act and required to be deposited
26 into the Build Illinois Fund are subject to the pledge, claim

1 and charge set forth in Section 12 of the Build Illinois Bond
 2 Act.

3 Subject to payment of amounts into the Build Illinois Fund
 4 as provided in the preceding paragraph or in any amendment
 5 thereto hereafter enacted, the following specified monthly
 6 installment of the amount requested in the certificate of the
 7 Chairman of the Metropolitan Pier and Exposition Authority
 8 provided under Section 8.25f of the State Finance Act, but not
 9 in excess of sums designated as "Total Deposit", shall be
 10 deposited in the aggregate from collections under Section 9 of
 11 the Use Tax Act, Section 9 of the Service Use Tax Act, Section
 12 9 of the Service Occupation Tax Act, and Section 3 of the
 13 Retailers' Occupation Tax Act into the McCormick Place
 14 Expansion Project Fund in the specified fiscal years.

15	Fiscal Year	Total
		Deposit
16	1993	\$0
17	1994	53,000,000
18	1995	58,000,000
19	1996	61,000,000
20	1997	64,000,000
21	1998	68,000,000
22	1999	71,000,000
23	2000	75,000,000
24	2001	80,000,000
25	2002	93,000,000

1	2003	99,000,000
2	2004	103,000,000
3	2005	108,000,000
4	2006	113,000,000
5	2007	119,000,000
6	2008	126,000,000
7	2009	132,000,000
8	2010	139,000,000
9	2011	146,000,000
10	2012	153,000,000
11	2013	161,000,000
12	2014	170,000,000
13	2015	179,000,000
14	2016	189,000,000
15	2017	199,000,000
16	2018	210,000,000
17	2019	221,000,000
18	2020	233,000,000
19	2021	246,000,000
20	2022	260,000,000
21	2023	275,000,000
22	2024	275,000,000
23	2025	275,000,000
24	2026	279,000,000
25	2027	292,000,000
26	2028	307,000,000

1	2029	322,000,000
2	2030	338,000,000
3	2031	350,000,000
4	2032	350,000,000

5 and

6 each fiscal year

7 thereafter that bonds

8 are outstanding under

9 Section 13.2 of the

10 Metropolitan Pier and

11 Exposition Authority Act,

12 but not after fiscal year 2060.

13 Beginning July 20, 1993 and in each month of each fiscal
14 year thereafter, one-eighth of the amount requested in the
15 certificate of the Chairman of the Metropolitan Pier and
16 Exposition Authority for that fiscal year, less the amount
17 deposited into the McCormick Place Expansion Project Fund by
18 the State Treasurer in the respective month under subsection
19 (g) of Section 13 of the Metropolitan Pier and Exposition
20 Authority Act, plus cumulative deficiencies in the deposits
21 required under this Section for previous months and years,
22 shall be deposited into the McCormick Place Expansion Project
23 Fund, until the full amount requested for the fiscal year, but
24 not in excess of the amount specified above as "Total Deposit",
25 has been deposited.

26 Subject to payment of amounts into the Build Illinois Fund

1 and the McCormick Place Expansion Project Fund pursuant to the
2 preceding paragraphs or in any amendments thereto hereafter
3 enacted, beginning July 1, 1993 and ending on September 30,
4 2013, the Department shall each month pay into the Illinois Tax
5 Increment Fund 0.27% of 80% of the net revenue realized for the
6 preceding month from the 6.25% general rate on the selling
7 price of tangible personal property.

8 Subject to payment of amounts into the Build Illinois Fund
9 and the McCormick Place Expansion Project Fund pursuant to the
10 preceding paragraphs or in any amendments thereto hereafter
11 enacted, beginning with the receipt of the first report of
12 taxes paid by an eligible business and continuing for a 25-year
13 period, the Department shall each month pay into the Energy
14 Infrastructure Fund 80% of the net revenue realized from the
15 6.25% general rate on the selling price of Illinois-mined coal
16 that was sold to an eligible business. For purposes of this
17 paragraph, the term "eligible business" means a new electric
18 generating facility certified pursuant to Section 605-332 of
19 the Department of Commerce and Economic Opportunity Law of the
20 Civil Administrative Code of Illinois.

21 Subject to payment of amounts into the Build Illinois Fund,
22 the McCormick Place Expansion Project Fund, the Illinois Tax
23 Increment Fund, and the Energy Infrastructure Fund pursuant to
24 the preceding paragraphs or in any amendments to this Section
25 hereafter enacted, beginning on the first day of the first
26 calendar month to occur on or after the effective date of this

1 amendatory Act of the 98th General Assembly, each month, from
2 the collections made under Section 9 of the Use Tax Act,
3 Section 9 of the Service Use Tax Act, Section 9 of the Service
4 Occupation Tax Act, and Section 3 of the Retailers' Occupation
5 Tax Act, the Department shall pay into the Tax Compliance and
6 Administration Fund, to be used, subject to appropriation, to
7 fund additional auditors and compliance personnel at the
8 Department of Revenue, an amount equal to 1/12 of 5% of 80% of
9 the cash receipts collected during the preceding fiscal year by
10 the Audit Bureau of the Department under the Use Tax Act, the
11 Service Use Tax Act, the Service Occupation Tax Act, the
12 Retailers' Occupation Tax Act, and associated local occupation
13 and use taxes administered by the Department.

14 Of the remainder of the moneys received by the Department
15 pursuant to this Act, 75% thereof shall be paid into the State
16 Treasury and 25% shall be reserved in a special account and
17 used only for the transfer to the Common School Fund as part of
18 the monthly transfer from the General Revenue Fund in
19 accordance with Section 8a of the State Finance Act.

20 The Department may, upon separate written notice to a
21 taxpayer, require the taxpayer to prepare and file with the
22 Department on a form prescribed by the Department within not
23 less than 60 days after receipt of the notice an annual
24 information return for the tax year specified in the notice.
25 Such annual return to the Department shall include a statement
26 of gross receipts as shown by the retailer's last Federal

1 income tax return. If the total receipts of the business as
2 reported in the Federal income tax return do not agree with the
3 gross receipts reported to the Department of Revenue for the
4 same period, the retailer shall attach to his annual return a
5 schedule showing a reconciliation of the 2 amounts and the
6 reasons for the difference. The retailer's annual return to the
7 Department shall also disclose the cost of goods sold by the
8 retailer during the year covered by such return, opening and
9 closing inventories of such goods for such year, costs of goods
10 used from stock or taken from stock and given away by the
11 retailer during such year, payroll information of the
12 retailer's business during such year and any additional
13 reasonable information which the Department deems would be
14 helpful in determining the accuracy of the monthly, quarterly
15 or annual returns filed by such retailer as provided for in
16 this Section.

17 If the annual information return required by this Section
18 is not filed when and as required, the taxpayer shall be liable
19 as follows:

20 (i) Until January 1, 1994, the taxpayer shall be liable
21 for a penalty equal to 1/6 of 1% of the tax due from such
22 taxpayer under this Act during the period to be covered by
23 the annual return for each month or fraction of a month
24 until such return is filed as required, the penalty to be
25 assessed and collected in the same manner as any other
26 penalty provided for in this Act.

1 (ii) On and after January 1, 1994, the taxpayer shall
2 be liable for a penalty as described in Section 3-4 of the
3 Uniform Penalty and Interest Act.

4 The chief executive officer, proprietor, owner or highest
5 ranking manager shall sign the annual return to certify the
6 accuracy of the information contained therein. Any person who
7 willfully signs the annual return containing false or
8 inaccurate information shall be guilty of perjury and punished
9 accordingly. The annual return form prescribed by the
10 Department shall include a warning that the person signing the
11 return may be liable for perjury.

12 The provisions of this Section concerning the filing of an
13 annual information return do not apply to a retailer who is not
14 required to file an income tax return with the United States
15 Government.

16 As soon as possible after the first day of each month, upon
17 certification of the Department of Revenue, the Comptroller
18 shall order transferred and the Treasurer shall transfer from
19 the General Revenue Fund to the Motor Fuel Tax Fund an amount
20 equal to 1.7% of 80% of the net revenue realized under this Act
21 for the second preceding month. Beginning April 1, 2000, this
22 transfer is no longer required and shall not be made.

23 Net revenue realized for a month shall be the revenue
24 collected by the State pursuant to this Act, less the amount
25 paid out during that month as refunds to taxpayers for
26 overpayment of liability.

1 For greater simplicity of administration, manufacturers,
2 importers and wholesalers whose products are sold at retail in
3 Illinois by numerous retailers, and who wish to do so, may
4 assume the responsibility for accounting and paying to the
5 Department all tax accruing under this Act with respect to such
6 sales, if the retailers who are affected do not make written
7 objection to the Department to this arrangement.

8 Any person who promotes, organizes, provides retail
9 selling space for concessionaires or other types of sellers at
10 the Illinois State Fair, DuQuoin State Fair, county fairs,
11 local fairs, art shows, flea markets and similar exhibitions or
12 events, including any transient merchant as defined by Section
13 2 of the Transient Merchant Act of 1987, is required to file a
14 report with the Department providing the name of the merchant's
15 business, the name of the person or persons engaged in
16 merchant's business, the permanent address and Illinois
17 Retailers Occupation Tax Registration Number of the merchant,
18 the dates and location of the event and other reasonable
19 information that the Department may require. The report must be
20 filed not later than the 20th day of the month next following
21 the month during which the event with retail sales was held.
22 Any person who fails to file a report required by this Section
23 commits a business offense and is subject to a fine not to
24 exceed \$250.

25 Any person engaged in the business of selling tangible
26 personal property at retail as a concessionaire or other type

1 of seller at the Illinois State Fair, county fairs, art shows,
2 flea markets and similar exhibitions or events, or any
3 transient merchants, as defined by Section 2 of the Transient
4 Merchant Act of 1987, may be required to make a daily report of
5 the amount of such sales to the Department and to make a daily
6 payment of the full amount of tax due. The Department shall
7 impose this requirement when it finds that there is a
8 significant risk of loss of revenue to the State at such an
9 exhibition or event. Such a finding shall be based on evidence
10 that a substantial number of concessionaires or other sellers
11 who are not residents of Illinois will be engaging in the
12 business of selling tangible personal property at retail at the
13 exhibition or event, or other evidence of a significant risk of
14 loss of revenue to the State. The Department shall notify
15 concessionaires and other sellers affected by the imposition of
16 this requirement. In the absence of notification by the
17 Department, the concessionaires and other sellers shall file
18 their returns as otherwise required in this Section.

19 (Source: P.A. 98-24, eff. 6-19-13; 98-109, eff. 7-25-13;
20 98-496, eff. 1-1-14; 98-756, eff. 7-16-14; 98-1098, eff.
21 8-26-14; 99-352, eff. 8-12-15.)

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

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Statutes amended in order of appearance

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35 ILCS 5/201 from Ch. 120, par. 2-201

4

35 ILCS 5/203 from Ch. 120, par. 2-203

5

35 ILCS 105/3-5

6

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

7

35 ILCS 105/3-85

8

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

9

35 ILCS 110/3-5

10

35 ILCS 110/3-70

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

12

35 ILCS 115/3-5

13

35 ILCS 115/9 from Ch. 120, par. 439.109

14

35 ILCS 120/2-5

15

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

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35 ILCS 120/3 from Ch. 120, par. 442