

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 Section 201 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, an amount
8 equal to 3% of the taxpayer's net income for the taxable
9 year.

10 (4) (Blank).

11 (5) (Blank).

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

15 (7) In the case of a corporation, for taxable years
16 beginning prior to July 1, 1989 and ending after June 30,
17 1989, an amount equal to the sum of (i) 4% of the
18 taxpayer's net income for the period prior to July 1, 1989,
19 as calculated under Section 202.3, and (ii) 4.8% of the
20 taxpayer's net income for the period after June 30, 1989,
21 as calculated under Section 202.3.

22 (8) In the case of a corporation, for taxable years
23 beginning after June 30, 1989, an amount equal to 4.8% of
24 the taxpayer's net income for the taxable year.

25 (c) Personal Property Tax Replacement Income Tax.
26 Beginning on July 1, 1979 and thereafter, in addition to such

1 income tax, there is also hereby imposed the Personal Property
2 Tax Replacement Income Tax measured by net income on every
3 corporation (including Subchapter S corporations), partnership
4 and trust, for each taxable year ending after June 30, 1979.
5 Such taxes are imposed on the privilege of earning or receiving
6 income in or as a resident of this State. The Personal Property
7 Tax Replacement Income Tax shall be in addition to the income
8 tax imposed by subsections (a) and (b) of this Section and in
9 addition to all other occupation or privilege taxes imposed by
10 this State or by any municipal corporation or political
11 subdivision thereof.

12 (d) Additional Personal Property Tax Replacement Income
13 Tax Rates. The personal property tax replacement income tax
14 imposed by this subsection and subsection (c) of this Section
15 in the case of a corporation, other than a Subchapter S
16 corporation and except as adjusted by subsection (d-1), shall
17 be an additional amount equal to 2.85% of such taxpayer's net
18 income for the taxable year, except that beginning on January
19 1, 1981, and thereafter, the rate of 2.85% specified in this
20 subsection shall be reduced to 2.5%, and in the case of a
21 partnership, trust or a Subchapter S corporation shall be an
22 additional amount equal to 1.5% of such taxpayer's net income
23 for the taxable year.

24 (d-1) Rate reduction for certain foreign insurers. In the
25 case of a foreign insurer, as defined by Section 35A-5 of the
26 Illinois Insurance Code, whose state or country of domicile

1 imposes on insurers domiciled in Illinois a retaliatory tax
2 (excluding any insurer whose premiums from reinsurance assumed
3 are 50% or more of its total insurance premiums as determined
4 under paragraph (2) of subsection (b) of Section 304, except
5 that for purposes of this determination premiums from
6 reinsurance do not include premiums from inter-affiliate
7 reinsurance arrangements), beginning with taxable years ending
8 on or after December 31, 1999, the sum of the rates of tax
9 imposed by subsections (b) and (d) shall be reduced (but not
10 increased) to the rate at which the total amount of tax imposed
11 under this Act, net of all credits allowed under this Act,
12 shall equal (i) the total amount of tax that would be imposed
13 on the foreign insurer's net income allocable to Illinois for
14 the taxable year by such foreign insurer's state or country of
15 domicile if that net income were subject to all income taxes
16 and taxes measured by net income imposed by such foreign
17 insurer's state or country of domicile, net of all credits
18 allowed or (ii) a rate of zero if no such tax is imposed on such
19 income by the foreign insurer's state of domicile. For the
20 purposes of this subsection (d-1), an inter-affiliate includes
21 a mutual insurer under common management.

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

25 (A) the total amount of tax imposed on such foreign
26 insurer under this Act for a taxable year, net of all

1 credits allowed under this Act, plus

2 (B) the privilege tax imposed by Section 409 of the
3 Illinois Insurance Code, the fire insurance company
4 tax imposed by Section 12 of the Fire Investigation
5 Act, and the fire department taxes imposed under
6 Section 11-10-1 of the Illinois Municipal Code,
7 equals 1.25% for taxable years ending prior to December 31,
8 2003, or 1.75% for taxable years ending on or after
9 December 31, 2003, of the net taxable premiums written for
10 the taxable year, as described by subsection (1) of Section
11 409 of the Illinois Insurance Code. This paragraph will in
12 no event increase the rates imposed under subsections (b)
13 and (d).

14 (2) Any reduction in the rates of tax imposed by this
15 subsection shall be applied first against the rates imposed
16 by subsection (b) and only after the tax imposed by
17 subsection (a) net of all credits allowed under this
18 Section other than the credit allowed under subsection (i)
19 has been reduced to zero, against the rates imposed by
20 subsection (d).

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

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

26 (1) A taxpayer shall be allowed a credit equal to .5%

1 of the basis of qualified property placed in service during
2 the taxable year, provided such property is placed in
3 service on or after July 1, 1984. There shall be allowed an
4 additional credit equal to .5% of the basis of qualified
5 property placed in service during the taxable year,
6 provided such property is placed in service on or after
7 July 1, 1986, and the taxpayer's base employment within
8 Illinois has increased by 1% or more over the preceding
9 year as determined by the taxpayer's employment records
10 filed with the Illinois Department of Employment Security.
11 Taxpayers who are new to Illinois shall be deemed to have
12 met the 1% growth in base employment for the first year in
13 which they file employment records with the Illinois
14 Department of Employment Security. The provisions added to
15 this Section by Public Act 85-1200 (and restored by Public
16 Act 87-895) shall be construed as declaratory of existing
17 law and not as a new enactment. If, in any year, the
18 increase in base employment within Illinois over the
19 preceding year is less than 1%, the additional credit shall
20 be limited to that percentage times a fraction, the
21 numerator of which is .5% and the denominator of which is
22 1%, but shall not exceed .5%. The investment credit shall
23 not be allowed to the extent that it would reduce a
24 taxpayer's liability in any tax year below zero, nor may
25 any credit for qualified property be allowed for any year
26 other than the year in which the property was placed in

1 service in Illinois. For tax years ending on or after
2 December 31, 1987, and on or before December 31, 1988, the
3 credit shall be allowed for the tax year in which the
4 property is placed in service, or, if the amount of the
5 credit exceeds the tax liability for that year, whether it
6 exceeds the original liability or the liability as later
7 amended, such excess may be carried forward and applied to
8 the tax liability of the 5 taxable years following the
9 excess credit years if the taxpayer (i) makes investments
10 which cause the creation of a minimum of 2,000 full-time
11 equivalent jobs in Illinois, (ii) is located in an
12 enterprise zone established pursuant to the Illinois
13 Enterprise Zone Act and (iii) is certified by the
14 Department of Commerce and Community Affairs (now
15 Department of Commerce and Economic Opportunity) as
16 complying with the requirements specified in clause (i) and
17 (ii) by July 1, 1986. The Department of Commerce and
18 Community Affairs (now Department of Commerce and Economic
19 Opportunity) shall notify the Department of Revenue of all
20 such certifications immediately. For tax years ending
21 after December 31, 1988, the credit shall be allowed for
22 the tax year in which the property is placed in service,
23 or, if the amount of the credit exceeds the tax liability
24 for that year, whether it exceeds the original liability or
25 the liability as later amended, such excess may be carried
26 forward and applied to the tax liability of the 5 taxable

1 years following the excess credit years. The credit shall
2 be 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, earlier credit
5 shall be applied first.

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

8 (A) is tangible, whether new or used, including
9 buildings and structural components of buildings and
10 signs that are real property, but not including land or
11 improvements to real property that are not a structural
12 component of a building such as landscaping, sewer
13 lines, local access roads, fencing, parking lots, and
14 other appurtenances;

15 (B) is depreciable pursuant to Section 167 of the
16 Internal Revenue Code, except that "3-year property"
17 as defined in Section 168(c)(2)(A) of that Code is not
18 eligible for the credit provided by this subsection
19 (e);

20 (C) is acquired by purchase as defined in Section
21 179(d) of the Internal Revenue Code;

22 (D) is used in Illinois by a taxpayer who is
23 primarily engaged in manufacturing, or in mining coal
24 or fluorite, or in retailing, or was placed in service
25 on or after July 1, 2006 in a River Edge Redevelopment
26 Zone established pursuant to the River Edge

1 Redevelopment Zone Act; and

2 (E) has not previously been used in Illinois in
3 such a manner and by such a person as would qualify for
4 the credit provided by this subsection (e) or
5 subsection (f).

6 (3) For purposes of this subsection (e),
7 "manufacturing" means the material staging and production
8 of tangible personal property by procedures commonly
9 regarded as manufacturing, processing, fabrication, or
10 assembling which changes some existing material into new
11 shapes, new qualities, or new combinations. For purposes of
12 this subsection (e) the term "mining" shall have the same
13 meaning as the term "mining" in Section 613(c) of the
14 Internal Revenue Code. For purposes of this subsection (e),
15 the term "retailing" means the sale of tangible personal
16 property or services rendered in conjunction with the sale
17 of tangible consumer goods or commodities.

18 (4) The basis of qualified property shall be the basis
19 used to compute the depreciation deduction for federal
20 income tax purposes.

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

26 (6) The term "placed in service" shall have the same

1 meaning as under Section 46 of the Internal Revenue Code.

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

18 (8) Unless the investment credit is extended by law,
19 the basis of qualified property shall not include costs
20 incurred after December 31, 2013 ~~2008~~, except for costs
21 incurred pursuant to a binding contract entered into on or
22 before December 31, 2013 ~~2008~~.

23 (9) Each taxable year ending before December 31, 2000,
24 a partnership may elect to pass through to its partners the
25 credits to which the partnership is entitled under this
26 subsection (e) for the taxable year. A partner may use the

1 credit allocated to him or her under this paragraph only
2 against the tax imposed in subsections (c) and (d) of this
3 Section. If the partnership makes that election, those
4 credits shall be allocated among the partners in the
5 partnership in accordance with the rules set forth in
6 Section 704(b) of the Internal Revenue Code, and the rules
7 promulgated under that Section, and the allocated amount of
8 the credits shall be allowed to the partners for that
9 taxable year. The partnership shall make this election on
10 its Personal Property Tax Replacement Income Tax return for
11 that taxable year. The election to pass through the credits
12 shall be irrevocable.

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

1 (f) Investment credit; Enterprise Zone; River Edge
2 Redevelopment Zone.

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

1 of the credit exceeds the tax liability for that year,
2 whether it exceeds the original liability or the liability
3 as later amended, such excess may be carried forward and
4 applied to the tax liability of the 5 taxable years
5 following the excess credit year. The credit shall be
6 applied to the earliest year for which there is a
7 liability. If there is credit from more than one tax year
8 that is available to offset a liability, the credit
9 accruing first in time shall be applied first.

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

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

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

18 (C) is acquired by purchase as defined in Section
19 179(d) of the Internal Revenue Code;

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

22 (E) has not been previously used in Illinois in
23 such a manner and by such a person as would qualify for
24 the credit provided by this subsection (f) or
25 subsection (e).

26 (3) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal
2 income tax purposes.

3 (4) If the basis of the property for federal income tax
4 depreciation purposes is increased after it has been placed
5 in service in the Enterprise Zone or River Edge
6 Redevelopment Zone by the taxpayer, the amount of such
7 increase shall be deemed property placed in service on the
8 date of such increase in basis.

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

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

1 property to the extent of such reduction.

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

19 (g) Jobs Tax Credit; Enterprise Zone, River Edge
20 Redevelopment Zone, and Foreign Trade Zone or Sub-Zone.

21 (1) A taxpayer conducting a trade or business in an
22 enterprise zone or a High Impact Business designated by the
23 Department of Commerce and Economic Opportunity or for
24 taxable years ending on or after December 31, 2006, in a
25 River Edge Redevelopment Zone conducting a trade or
26 business in a federally designated Foreign Trade Zone or

1 Sub-Zone shall be allowed a credit against the tax imposed
2 by subsections (a) and (b) of this Section in the amount of
3 \$500 per eligible employee hired to work in the zone during
4 the taxable year.

5 (2) To qualify for the credit:

6 (A) the taxpayer must hire 5 or more eligible
7 employees to work in an enterprise zone, River Edge
8 Redevelopment Zone, or federally designated Foreign
9 Trade Zone or Sub-Zone during the taxable year;

10 (B) the taxpayer's total employment within the
11 enterprise zone, River Edge Redevelopment Zone, or
12 federally designated Foreign Trade Zone or Sub-Zone
13 must increase by 5 or more full-time employees beyond
14 the total employed in that zone at the end of the
15 previous tax year for which a jobs tax credit under
16 this Section was taken, or beyond the total employed by
17 the taxpayer as of December 31, 1985, whichever is
18 later; and

19 (C) the eligible employees must be employed 180
20 consecutive days in order to be deemed hired for
21 purposes of this subsection.

22 (3) An "eligible employee" means an employee who is:

23 (A) Certified by the Department of Commerce and
24 Economic Opportunity as "eligible for services"
25 pursuant to regulations promulgated in accordance with
26 Title II of the Job Training Partnership Act, Training

1 Services for the Disadvantaged or Title III of the Job
2 Training Partnership Act, Employment and Training
3 Assistance for Dislocated Workers Program.

4 (B) Hired after the enterprise zone, River Edge
5 Redevelopment Zone, or federally designated Foreign
6 Trade Zone or Sub-Zone was designated or the trade or
7 business was located in that zone, whichever is later.

8 (C) Employed in the enterprise zone, River Edge
9 Redevelopment Zone, or Foreign Trade Zone or Sub-Zone.
10 An employee is employed in an enterprise zone or
11 federally designated Foreign Trade Zone or Sub-Zone if
12 his services are rendered there or it is the base of
13 operations for the services performed.

14 (D) A full-time employee working 30 or more hours
15 per week.

16 (4) For tax years ending on or after December 31, 1985
17 and prior to December 31, 1988, the credit shall be allowed
18 for the tax year in which the eligible employees are hired.
19 For tax years ending on or after December 31, 1988, the
20 credit shall be allowed for the tax year immediately
21 following the tax year in which the eligible employees are
22 hired. If the amount of the credit exceeds the tax
23 liability for that year, whether it exceeds the original
24 liability or the liability as later amended, such excess
25 may be carried forward and applied to the tax liability of
26 the 5 taxable years following the excess credit year. The

1 credit shall be applied to the earliest year for which
2 there is a liability. If there is credit from more than one
3 tax year that is available to offset a liability, earlier
4 credit shall be applied first.

5 (5) The Department of Revenue shall promulgate such
6 rules and regulations as may be deemed necessary to carry
7 out the purposes of this subsection (g).

8 (6) The credit shall be available for eligible
9 employees hired on or after January 1, 1986.

10 (h) Investment credit; High Impact Business.

11 (1) Subject to subsections (b) and (b-5) of Section 5.5
12 of the Illinois Enterprise Zone Act, a taxpayer shall be
13 allowed a credit against the tax imposed by subsections (a)
14 and (b) of this Section for investment in qualified
15 property which is placed in service by a Department of
16 Commerce and Economic Opportunity designated High Impact
17 Business. The credit shall be .5% of the basis for such
18 property. The credit shall not be available (i) until the
19 minimum investments in qualified property set forth in
20 subdivision (a)(3)(A) of Section 5.5 of the Illinois
21 Enterprise Zone Act have been satisfied or (ii) until the
22 time authorized in subsection (b-5) of the Illinois
23 Enterprise Zone Act for entities designated as High Impact
24 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
25 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
26 Act, and shall not be allowed to the extent that it would

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

24 Changes made in this subdivision (h) (1) by Public Act
25 88-670 restore changes made by Public Act 85-1182 and
26 reflect existing law.

- 1 (2) The term qualified property means property which:
- 2 (A) is tangible, whether new or used, including
- 3 buildings and structural components of buildings;
- 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 (h);
- 9 (C) is acquired by purchase as defined in Section
- 10 179(d) of the Internal Revenue Code; and
- 11 (D) is not eligible for the Enterprise Zone
- 12 Investment Credit provided by subsection (f) of this
- 13 Section.
- 14 (3) The basis of qualified property shall be the basis
- 15 used to compute the depreciation deduction for federal
- 16 income tax purposes.
- 17 (4) If the basis of the property for federal income tax
- 18 depreciation purposes is increased after it has been placed
- 19 in service in a federally designated Foreign Trade Zone or
- 20 Sub-Zone located in Illinois by the taxpayer, the amount of
- 21 such increase shall be deemed property placed in service on
- 22 the date of such increase in basis.
- 23 (5) The term "placed in service" shall have the same
- 24 meaning as under Section 46 of the Internal Revenue Code.
- 25 (6) If during any taxable year ending on or before
- 26 December 31, 1996, any property ceases to be qualified

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

17 (7) Beginning with tax years ending after December 31,
18 1996, if a taxpayer qualifies for the credit under this
19 subsection (h) and thereby is granted a tax abatement and
20 the taxpayer relocates its entire facility in violation of
21 the explicit terms and length of the contract under Section
22 18-183 of the Property Tax Code, the tax imposed under
23 subsections (a) and (b) of this Section shall be increased
24 for the taxable year in which the taxpayer relocated its
25 facility by an amount equal to the amount of credit
26 received by the taxpayer under this subsection (h).

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

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

25 If, during any taxable year ending on or after December 31,
26 1986, the tax imposed by subsections (c) and (d) of this

1 Section for which a taxpayer has claimed a credit under this
2 subsection (i) is reduced, the amount of credit for such tax
3 shall also be reduced. Such reduction shall be determined by
4 recomputing the credit to take into account the reduced tax
5 imposed by subsections (c) and (d). If any portion of the
6 reduced amount of credit has been carried to a different
7 taxable year, an amended return shall be filed for such taxable
8 year to reduce the amount of credit claimed.

9 (j) Training expense credit. Beginning with tax years
10 ending on or after December 31, 1986 and prior to December 31,
11 2003, a taxpayer shall be allowed a credit against the tax
12 imposed by subsections (a) and (b) under this Section for all
13 amounts paid or accrued, on behalf of all persons employed by
14 the taxpayer in Illinois or Illinois residents employed outside
15 of Illinois by a taxpayer, for educational or vocational
16 training in semi-technical or technical fields or semi-skilled
17 or skilled fields, which were deducted from gross income in the
18 computation of taxable income. The credit against the tax
19 imposed by subsections (a) and (b) shall be 1.6% of such
20 training expenses. For partners, shareholders of subchapter S
21 corporations, and owners of limited liability companies, if the
22 liability company is treated as a partnership for purposes of
23 federal and State income taxation, there shall be allowed a
24 credit under this subsection (j) to be determined in accordance
25 with the determination of income and distributive share of
26 income under Sections 702 and 704 and subchapter S of the

1 Internal Revenue Code.

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

12 (k) Research and development credit.

13 For tax years ending after July 1, 1990 and prior to
14 December 31, 2003, and beginning again for tax years ending on
15 or after December 31, 2004, a taxpayer shall be allowed a
16 credit against the tax imposed by subsections (a) and (b) of
17 this Section for increasing research activities in this State.
18 The credit allowed against the tax imposed by subsections (a)
19 and (b) shall be equal to 6 1/2% of the qualifying expenditures
20 for increasing research activities in this State. For partners,
21 shareholders of subchapter S corporations, and owners of
22 limited liability companies, if the liability company is
23 treated as a partnership for purposes of federal and State
24 income taxation, there shall be allowed a credit under this
25 subsection to be determined in accordance with the
26 determination of income and distributive share of income under

1 Sections 702 and 704 and subchapter S of the Internal Revenue
2 Code.

3 For purposes of this subsection, "qualifying expenditures"
4 means the qualifying expenditures as defined for the federal
5 credit for increasing research activities which would be
6 allowable under Section 41 of the Internal Revenue Code and
7 which are conducted in this State, "qualifying expenditures for
8 increasing research activities in this State" means the excess
9 of qualifying expenditures for the taxable year in which
10 incurred over qualifying expenditures for the base period,
11 "qualifying expenditures for the base period" means the average
12 of the qualifying expenditures for each year in the base
13 period, and "base period" means the 3 taxable years immediately
14 preceding the taxable year for which the determination is being
15 made.

16 Any credit in excess of the tax liability for the taxable
17 year may be carried forward. A taxpayer may elect to have the
18 unused credit shown on its final completed return carried over
19 as a credit against the tax liability for the following 5
20 taxable years or until it has been fully used, whichever occurs
21 first; provided that no credit earned in a tax year ending
22 prior to December 31, 2003 may be carried forward to any year
23 ending on or after December 31, 2003.

24 If an unused credit is carried forward to a given year from
25 2 or more earlier years, that credit arising in the earliest
26 year will be applied first against the tax liability for the

1 given year. If a tax liability for the given year still
2 remains, the credit from the next earliest year will then be
3 applied, and so on, until all credits have been used or no tax
4 liability for the given year remains. Any remaining unused
5 credit or credits then will be carried forward to the next
6 following year in which a tax liability is incurred, except
7 that no credit can be carried forward to a year which is more
8 than 5 years after the year in which the expense for which the
9 credit is given was incurred.

10 No inference shall be drawn from this amendatory Act of the
11 91st General Assembly in construing this Section for taxable
12 years beginning before January 1, 1999.

13 (1) Environmental Remediation Tax Credit.

14 (i) For tax years ending after December 31, 1997 and on
15 or before December 31, 2001, a taxpayer shall be allowed a
16 credit against the tax imposed by subsections (a) and (b)
17 of this Section for certain amounts paid for unreimbursed
18 eligible remediation costs, as specified in this
19 subsection. For purposes of this Section, "unreimbursed
20 eligible remediation costs" means costs approved by the
21 Illinois Environmental Protection Agency ("Agency") under
22 Section 58.14 of the Environmental Protection Act that were
23 paid in performing environmental remediation at a site for
24 which a No Further Remediation Letter was issued by the
25 Agency and recorded under Section 58.10 of the
26 Environmental Protection Act. The credit must be claimed

1 for the taxable year in which Agency approval of the
2 eligible remediation costs is granted. The credit is not
3 available to any taxpayer if the taxpayer or any related
4 party caused or contributed to, in any material respect, a
5 release of regulated substances on, in, or under the site
6 that was identified and addressed by the remedial action
7 pursuant to the Site Remediation Program of the
8 Environmental Protection Act. After the Pollution Control
9 Board rules are adopted pursuant to the Illinois
10 Administrative Procedure Act for the administration and
11 enforcement of Section 58.9 of the Environmental
12 Protection Act, determinations as to credit availability
13 for purposes of this Section shall be made consistent with
14 those rules. For purposes of this Section, "taxpayer"
15 includes a person whose tax attributes the taxpayer has
16 succeeded to under Section 381 of the Internal Revenue Code
17 and "related party" includes the persons disallowed a
18 deduction for losses by paragraphs (b), (c), and (f)(1) of
19 Section 267 of the Internal Revenue Code by virtue of being
20 a related taxpayer, as well as any of its partners. The
21 credit allowed against the tax imposed by subsections (a)
22 and (b) shall be equal to 25% of the unreimbursed eligible
23 remediation costs in excess of \$100,000 per site, except
24 that the \$100,000 threshold shall not apply to any site
25 contained in an enterprise zone as determined by the
26 Department of Commerce and Community Affairs (now

1 Department of Commerce and Economic Opportunity). The
2 total credit allowed shall not exceed \$40,000 per year with
3 a maximum total of \$150,000 per site. For partners and
4 shareholders of subchapter S corporations, there shall be
5 allowed a credit under this subsection to be determined in
6 accordance with the determination of income and
7 distributive share of income under Sections 702 and 704 and
8 subchapter S of the Internal Revenue Code.

9 (ii) A credit allowed under this subsection that is
10 unused in the year the credit is earned may be carried
11 forward to each of the 5 taxable years following the year
12 for which the credit is first earned until it is used. The
13 term "unused credit" does not include any amounts of
14 unreimbursed eligible remediation costs in excess of the
15 maximum credit per site authorized under paragraph (i).
16 This credit shall be applied first to the earliest year for
17 which there is a liability. If there is a credit under this
18 subsection from more than one tax year that is available to
19 offset a liability, the earliest credit arising under this
20 subsection shall be applied first. A credit allowed under
21 this subsection may be sold to a buyer as part of a sale of
22 all or part of the remediation site for which the credit
23 was granted. The purchaser of a remediation site and the
24 tax credit shall succeed to the unused credit and remaining
25 carry-forward period of the seller. To perfect the
26 transfer, the assignor shall record the transfer in the

1 chain of title for the site and provide written notice to
2 the Director of the Illinois Department of Revenue of the
3 assignor's intent to sell the remediation site and the
4 amount of the tax credit to be transferred as a portion of
5 the sale. In no event may a credit be transferred to any
6 taxpayer if the taxpayer or a related party would not be
7 eligible under the provisions of subsection (i).

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

11 (m) Education expense credit. Beginning with tax years
12 ending after December 31, 1999, a taxpayer who is the custodian
13 of one or more qualifying pupils shall be allowed a credit
14 against the tax imposed by subsections (a) and (b) of this
15 Section for qualified education expenses incurred on behalf of
16 the qualifying pupils. The credit shall be equal to 25% of
17 qualified education expenses, but in no event may the total
18 credit under this subsection claimed by a family that is the
19 custodian of qualifying pupils exceed \$500. In no event shall a
20 credit under this subsection reduce the taxpayer's liability
21 under this Act to less than zero. This subsection is exempt
22 from the provisions of Section 250 of this Act.

23 For purposes of this subsection:

24 "Qualifying pupils" means individuals who (i) are
25 residents of the State of Illinois, (ii) are under the age of
26 21 at the close of the school year for which a credit is

1 sought, and (iii) during the school year for which a credit is
2 sought were full-time pupils enrolled in a kindergarten through
3 twelfth grade education program at any school, as defined in
4 this subsection.

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

9 "School" means any public or nonpublic elementary or
10 secondary school in Illinois that is in compliance with Title
11 VI of the Civil Rights Act of 1964 and attendance at which
12 satisfies the requirements of Section 26-1 of the School Code,
13 except that nothing shall be construed to require a child to
14 attend any particular public or nonpublic school to qualify for
15 the credit under this Section.

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

19 (n) River Edge Redevelopment Zone site remediation tax
20 credit.

21 (i) For tax years ending on or after December 31, 2006,
22 a taxpayer shall be allowed a credit against the tax
23 imposed by subsections (a) and (b) of this Section for
24 certain amounts paid for unreimbursed eligible remediation
25 costs, as specified in this subsection. For purposes of
26 this Section, "unreimbursed eligible remediation costs"

1 means costs approved by the Illinois Environmental
2 Protection Agency ("Agency") under Section 58.14a of the
3 Environmental Protection Act that were paid in performing
4 environmental remediation at a site within a River Edge
5 Redevelopment Zone for which a No Further Remediation
6 Letter was issued by the Agency and recorded under Section
7 58.10 of the Environmental Protection Act. The credit must
8 be claimed for the taxable year in which Agency approval of
9 the eligible remediation costs is granted. The credit is
10 not available to any taxpayer if the taxpayer or any
11 related party caused or contributed to, in any material
12 respect, a release of regulated substances on, in, or under
13 the site that was identified and addressed by the remedial
14 action pursuant to the Site Remediation Program of the
15 Environmental Protection Act. Determinations as to credit
16 availability for purposes of this Section shall be made
17 consistent with rules adopted by the Pollution Control
18 Board pursuant to the Illinois Administrative Procedure
19 Act for the administration and enforcement of Section 58.9
20 of the Environmental Protection Act. For purposes of this
21 Section, "taxpayer" includes a person whose tax attributes
22 the taxpayer has succeeded to under Section 381 of the
23 Internal Revenue Code and "related party" includes the
24 persons disallowed a deduction for losses by paragraphs
25 (b), (c), and (f)(1) of Section 267 of the Internal Revenue
26 Code by virtue of being a related taxpayer, as well as any

1 of its partners. The credit allowed against the tax imposed
2 by subsections (a) and (b) shall be equal to 25% of the
3 unreimbursed eligible remediation costs in excess of
4 \$100,000 per site.

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

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

4 (iv) This subsection is exempt from the provisions of
5 Section 250.

6 (Source: P.A. 94-1021, eff. 7-12-06; 95-454, eff. 8-27-07.)

7 Section 10. The Use Tax Act is amended by changing Sections
8 3-5, 3-30, and 3-85 as follows:

9 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

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

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

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

22 (3) Personal property purchased by a not-for-profit arts or
23 cultural organization that establishes, by proof required by
24 the Department by rule, that it has received an exemption under

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

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

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

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

14 (7) Farm chemicals.

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

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

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

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

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

23 (13) Proceeds of mandatory service charges separately
24 stated on customers' bills for the purchase and consumption of
25 food and beverages purchased at retail from a retailer, to the
26 extent that the proceeds of the service charge are in fact

1 turned over as tips or as a substitute for tips to the
2 employees who participate directly in preparing, serving,
3 hosting or cleaning up the food or beverage function with
4 respect to which the service charge is imposed.

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

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

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

25 (17) 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 (18) Manufacturing and assembling machinery and equipment
6 used primarily in the process of manufacturing or assembling
7 tangible personal property for wholesale or retail sale or
8 lease, whether that sale or lease is made directly by the
9 manufacturer or by some other person, whether the materials
10 used in the process are owned by the manufacturer or some other
11 person, or whether that sale or lease is made apart from or as
12 an incident to the seller's engaging in the service occupation
13 of producing machines, tools, dies, jigs, patterns, gauges, or
14 other similar items of no commercial value on special order for
15 a particular purchaser.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 private home instruction or (ii) for which the fundraising
2 entity purchases the personal property sold at the events from
3 another individual or entity that sold the property for the
4 purpose of resale by the fundraising entity and that profits
5 from the sale to the fundraising entity. This paragraph is
6 exempt from the provisions of Section 3-90.

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

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

1 the Nursing Home Care Act.

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

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

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

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

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

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

1 (35 ILCS 105/3-30) (from Ch. 120, par. 439.3-30)

2 Sec. 3-30. Graphic arts production. For the purposes of
3 this Act, "graphic arts production" means the production of
4 tangible personal property for wholesale or retail sale or
5 lease by means of printing, including ink jet printing, by one
6 or more of the processes described in Groups 323110 through
7 323122 of Subsector 323, Groups 511110 through 511199 of
8 Subsector 511, and Group 512230 of Subsector 512 of the North
9 American Industry Classification System published by the U.S.
10 Office of Management and Budget, 1997 edition. Graphic arts
11 production does not include (i) the transfer of images onto
12 paper or other tangible personal property by means of
13 photocopying or (ii) final printed products in electronic or
14 audio form, including the production of software or
15 audio-books. For purposes of this Section, persons engaged
16 primarily in the business of printing or publishing newspapers
17 or magazines that qualify as newsprint and ink, by one or more
18 of the processes described in Groups 511110 through 511199 of
19 subsector 511 of the North American Industry Classification
20 System published by the U.S. Office of Management and Budget,
21 1997 edition, are deemed to be engaged in graphic arts
22 production.

23 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

24 (35 ILCS 105/3-85)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 Section 15. The Service Use Tax Act is amended by changing
24 Sections 3-5, 3-30, and 3-70 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

1 provisions of Section 3-75.

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

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

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

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

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

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

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

1 General Assembly.

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

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

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

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

1 who reside within the declared disaster area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (35 ILCS 110/3-30) (from Ch. 120, par. 439.33-30)

25 Sec. 3-30. Graphic arts production. For the purposes of

1 this Act, "graphic arts production" means the production of
2 tangible personal property for wholesale or retail sale or
3 lease by means of printing, including ink jet printing, by one
4 or more of the processes described in Groups 323110 through
5 323122 of Subsector 323, Groups 511110 through 511199 of
6 Subsector 511, and Group 512230 of Subsector 512 of the North
7 American Industry Classification System published by the U.S.
8 Office of Management and Budget, 1997 edition. Graphic arts
9 production does not include (i) the transfer of images onto
10 paper or other tangible personal property by means of
11 photocopying or (ii) final printed products in electronic or
12 audio form, including the production of software or
13 audio-books. For purposes of this Section, persons engaged
14 primarily in the business of printing or publishing newspapers
15 or magazines that qualify as newsprint and ink, by one or more
16 of the processes described in Groups 511110 through 511199 of
17 subsector 511 of the North American Industry Classification
18 System published by the U.S. Office of Management and Budget,
19 1997 edition, are deemed to be engaged in graphic arts
20 production.

21 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

22 (35 ILCS 110/3-70)

23 Sec. 3-70. Manufacturer's Purchase Credit. For purchases
24 of machinery and equipment made on and after January 1, 1995
25 and through June 30, 2003, and on and after September 1, 2004

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

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

26 All purchases prior to October 1, 2003 of manufacturing

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

24 The percentage shall be as follows:

25 (1) 15% for purchases made on or before June 30, 1995.

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

1 or before June 30, 1996.

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

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

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

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

1 Manufacturer's Purchase Credit Used for credit utilized by a
2 construction contractor.

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

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

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

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

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

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

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

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

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

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

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

1 for failing to pay the tax when due. No Manufacturer's Purchase
2 Credit may be used after September 30, 2003 to satisfy any tax
3 liability imposed under this Act, including any audit
4 liability.

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

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

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

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

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

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

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

1 Credit claimed on an amended report may be used to satisfy tax
2 liability under the Use Tax Act or the Service Use Tax Act (i)
3 on qualifying purchases of production related tangible
4 personal property made after the date the amended report is
5 filed or (ii) assessed by the Department on qualifying
6 production related tangible personal property purchased on or
7 after September 1, 2004.

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

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

22 Section 20. The Service Occupation Tax Act is amended by
23 changing Sections 3-5 and 3-30 as follows:

24 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

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

1 number issued by the Department.

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

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

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

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

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

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

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

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

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

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

25 (11) Photoprocessing machinery and equipment, including
26 repair and replacement parts, both new and used, including that

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

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

10 (13) Beginning January 1, 1992 and through June 30, 2011,
11 food for human consumption that is to be consumed off the
12 premises where it is sold (other than alcoholic beverages, soft
13 drinks and food that has been prepared for immediate
14 consumption) and prescription and non-prescription medicines,
15 drugs, medical appliances, and insulin, urine testing
16 materials, syringes, and needles used by diabetics, for human
17 use, when purchased for use by a person receiving medical
18 assistance under Article 5 of the Illinois Public Aid Code who
19 resides in a licensed long-term care facility, as defined in
20 the Nursing Home Care Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (23) Beginning January 1, 2000 and through December 31,
6 2001, new or used automatic vending machines that prepare and
7 serve hot food and beverages, including coffee, soup, and other
8 items, and replacement parts for these machines. Beginning
9 January 1, 2002 and through June 30, 2003, machines and parts
10 for machines used in commercial, coin-operated amusement and
11 vending business if a use or occupation tax is paid on the
12 gross receipts derived from the use of the commercial,
13 coin-operated amusement and vending machines. This paragraph
14 is exempt from the provisions of Section 3-55.

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

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

1 lessor who leases the property, under a lease of one year or
2 longer executed or in effect at the time of the purchase, to a
3 governmental body that has been issued an active tax exemption
4 identification number by the Department under Section 1g of the
5 Retailers' Occupation Tax Act. This paragraph is exempt from
6 the provisions of Section 3-55.

7 (26) Beginning on January 1, 2002 and through June 30,
8 2011, tangible personal property purchased from an Illinois
9 retailer by a taxpayer engaged in centralized purchasing
10 activities in Illinois who will, upon receipt of the property
11 in Illinois, temporarily store the property in Illinois (i) for
12 the purpose of subsequently transporting it outside this State
13 for use or consumption thereafter solely outside this State or
14 (ii) for the purpose of being processed, fabricated, or
15 manufactured into, attached to, or incorporated into other
16 tangible personal property to be transported outside this State
17 and thereafter used or consumed solely outside this State. The
18 Director of Revenue shall, pursuant to rules adopted in
19 accordance with the Illinois Administrative Procedure Act,
20 issue a permit to any taxpayer in good standing with the
21 Department who is eligible for the exemption under this
22 paragraph (26). The permit issued under this paragraph (26)
23 shall authorize the holder, to the extent and in the manner
24 specified in the rules adopted under this Act, to purchase
25 tangible personal property from a retailer exempt from the
26 taxes imposed by this Act. Taxpayers shall maintain all

1 necessary books and records to substantiate the use and
2 consumption of all such tangible personal property outside of
3 the State of Illinois.

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

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

13 (35 ILCS 115/3-30) (from Ch. 120, par. 439.103-30)

14 Sec. 3-30. Graphic arts production. For purposes of this
15 Act, "graphic arts production" means the production of tangible
16 personal property for wholesale or retail sale or lease by
17 means of printing, including ink jet printing, by one or more
18 of the processes described in Groups 323110 through 323122 of
19 Subsector 323, Groups 511110 through 511199 of Subsector 511,
20 and Group 512230 of Subsector 512 of the North American
21 Industry Classification System published by the U.S. Office of
22 Management and Budget, 1997 edition. Graphic arts production
23 does not include (i) the transfer of images onto paper or other
24 tangible personal property by means of photocopying or (ii)
25 final printed products in electronic or audio form, including

1 the production of software or audio-books. For the purpose of
2 this Section, persons engaged primarily in the business of
3 printing or publishing newspapers or magazines that qualify as
4 newsprint and ink, by one or more of the processes described in
5 Groups 511110 through 511199 of subsector 511 of the North
6 American Industry Classification System published by the U.S.
7 Office of Management and Budget, 1997 edition, are deemed to be
8 engaged in graphic arts production.

9 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

10 Section 25. The Retailers' Occupation Tax Act is amended by
11 changing Sections 2-5 and 2-30 as follows:

12 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

16 (1) Farm chemicals.

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

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

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

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

1 provisions of Section 2-70.

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

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

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

1 Act. This paragraph is exempt from the provisions of Section
2 2-70.

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

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

9 (8) Personal property sold to an Illinois county fair
10 association for use in conducting, operating, or promoting the
11 county fair.

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

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

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

22 (12) Tangible personal property sold to interstate
23 carriers for hire for use as rolling stock moving in interstate
24 commerce or to lessors under leases of one year or longer
25 executed or in effect at the time of purchase by interstate
26 carriers for hire for use as rolling stock moving in interstate

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

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

23 (13) Proceeds from sales to owners, lessors, or shippers of
24 tangible personal property that is utilized by interstate
25 carriers for hire for use as rolling stock moving in interstate
26 commerce and equipment operated by a telecommunications

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

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

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

23 (16) Petroleum products sold to a purchaser if the seller
24 is prohibited by federal law from charging tax to the
25 purchaser.

26 (17) Tangible personal property sold to a common carrier by

1 rail or motor that receives the physical possession of the
2 property in Illinois and that transports the property, or
3 shares with another common carrier in the transportation of the
4 property, out of Illinois on a standard uniform bill of lading
5 showing the seller of the property as the shipper or consignor
6 of the property to a destination outside Illinois, for use
7 outside Illinois.

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

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

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

26 (21) Until July 1, 2003, coal exploration, mining,

1 offhighway hauling, processing, maintenance, and reclamation
2 equipment, including replacement parts and equipment, and
3 including equipment purchased for lease, but excluding motor
4 vehicles required to be registered under the Illinois Vehicle
5 Code.

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

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

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

22 (25) Except as provided in item (25-5) of this Section, a
23 motor vehicle sold in this State to a nonresident even though
24 the motor vehicle is delivered to the nonresident in this
25 State, if the motor vehicle is not to be titled in this State,
26 and if a drive-away permit is issued to the motor vehicle as

1 provided in Section 3-603 of the Illinois Vehicle Code or if
2 the nonresident purchaser has vehicle registration plates to
3 transfer to the motor vehicle upon returning to his or her home
4 state. The issuance of the drive-away permit or having the
5 out-of-state registration plates to be transferred is prima
6 facie evidence that the motor vehicle will not be titled in
7 this State.

8 (25-5) The exemption under item (25) does not apply if the
9 state in which the motor vehicle will be titled does not allow
10 a reciprocal exemption for a motor vehicle sold and delivered
11 in that state to an Illinois resident but titled in Illinois.
12 The tax collected under this Act on the sale of a motor vehicle
13 in this State to a resident of another state that does not
14 allow a reciprocal exemption shall be imposed at a rate equal
15 to the state's rate of tax on taxable property in the state in
16 which the purchaser is a resident, except that the tax shall
17 not exceed the tax that would otherwise be imposed under this
18 Act. At the time of the sale, the purchaser shall execute a
19 statement, signed under penalty of perjury, of his or her
20 intent to title the vehicle in the state in which the purchaser
21 is a resident within 30 days after the sale and of the fact of
22 the payment to the State of Illinois of tax in an amount
23 equivalent to the state's rate of tax on taxable property in
24 his or her state of residence and shall submit the statement to
25 the appropriate tax collection agency in his or her state of
26 residence. In addition, the retailer must retain a signed copy

1 of the statement in his or her records. Nothing in this item
2 shall be construed to require the removal of the vehicle from
3 this state following the filing of an intent to title the
4 vehicle in the purchaser's state of residence if the purchaser
5 titles the vehicle in his or her state of residence within 30
6 days after the date of sale. The tax collected under this Act
7 in accordance with this item (25-5) shall be proportionately
8 distributed as if the tax were collected at the 6.25% general
9 rate imposed under this Act.

10 (25-7) Beginning on July 1, 2007, no tax is imposed under
11 this Act on the sale of an aircraft, as defined in Section 3 of
12 the Illinois Aeronautics Act, if all of the following
13 conditions are met:

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

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

22 (3) the seller retains in his or her books and records
23 and provides to the Department a signed and dated
24 certification from the purchaser, on a form prescribed by
25 the Department, certifying that the requirements of this
26 item (25-7) are met. The certificate must also include the

1 name and address of the purchaser, the address of the
2 location where the aircraft is to be titled or registered,
3 the address of the primary physical location of the
4 aircraft, and other information that the Department may
5 reasonably require.

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

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

11 "Registered in this State" means an aircraft registered
12 with the Department of Transportation, Aeronautics Division,
13 or titled or registered with the Federal Aviation
14 Administration to an address located in this State.

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

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

19 (27) Horses, or interests in horses, registered with and
20 meeting the requirements of any of the Arabian Horse Club
21 Registry of America, Appaloosa Horse Club, American Quarter
22 Horse Association, United States Trotting Association, or
23 Jockey Club, as appropriate, used for purposes of breeding or
24 racing for prizes. This item (27) is exempt from the provisions
25 of Section 2-70, and the exemption provided for under this item
26 (27) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after January 1,
2 2008 (the effective date of Public Act 95-88) for such taxes
3 paid during the period beginning May 30, 2000 and ending on
4 January 1, 2008 (the effective date of Public Act 95-88) .

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

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

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

1 who reside within the declared disaster area.

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

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

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

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

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

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

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

10 (35-5) Beginning August 23, 2001 and through June 30, 2011,
11 food for human consumption that is to be consumed off the
12 premises where it is sold (other than alcoholic beverages, soft
13 drinks, and food that has been prepared for immediate
14 consumption) and prescription and nonprescription medicines,
15 drugs, medical appliances, and insulin, urine testing
16 materials, syringes, and needles used by diabetics, for human
17 use, when purchased for use by a person receiving medical
18 assistance under Article 5 of the Illinois Public Aid Code who
19 resides in a licensed long-term care facility, as defined in
20 the Nursing Home Care Act.

21 (36) Beginning August 2, 2001, computers and
22 communications equipment utilized for any hospital purpose and
23 equipment used in the diagnosis, analysis, or treatment of
24 hospital patients sold to a lessor who leases the equipment,
25 under a lease of one year or longer executed or in effect at
26 the time of the purchase, to a hospital that has been issued an

1 active tax exemption identification number by the Department
2 under Section 1g of this Act. This paragraph is exempt from the
3 provisions of Section 2-70.

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

11 (38) Beginning on January 1, 2002 and through June 30,
12 2011, tangible personal property purchased from an Illinois
13 retailer by a taxpayer engaged in centralized purchasing
14 activities in Illinois who will, upon receipt of the property
15 in Illinois, temporarily store the property in Illinois (i) for
16 the purpose of subsequently transporting it outside this State
17 for use or consumption thereafter solely outside this State or
18 (ii) for the purpose of being processed, fabricated, or
19 manufactured into, attached to, or incorporated into other
20 tangible personal property to be transported outside this State
21 and thereafter used or consumed solely outside this State. The
22 Director of Revenue shall, pursuant to rules adopted in
23 accordance with the Illinois Administrative Procedure Act,
24 issue a permit to any taxpayer in good standing with the
25 Department who is eligible for the exemption under this
26 paragraph (38). The permit issued under this paragraph (38)

1 shall authorize the holder, to the extent and in the manner
2 specified in the rules adopted under this Act, to purchase
3 tangible personal property from a retailer exempt from the
4 taxes imposed by this Act. Taxpayers shall maintain all
5 necessary books and records to substantiate the use and
6 consumption of all such tangible personal property outside of
7 the State of Illinois.

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

15 (Source: P.A. 94-1002, eff. 7-3-06; 95-88, eff. 1-1-08; 95-233,
16 eff. 8-16-07; 95-304, eff. 8-20-07; 95-538, eff. 1-1-08;
17 95-707, eff. 1-11-08; 95-876, eff. 8-21-08.)

18 (35 ILCS 120/2-30) (from Ch. 120, par. 441-30)

19 Sec. 2-30. Graphic arts production. For purposes of this
20 Act, "graphic arts production" means the production of tangible
21 personal property for wholesale or retail sale or lease by
22 means of printing, including ink jet printing, by one or more
23 of the processes described in Groups 323110 through 323122 of
24 Subsector 323, Groups 511110 through 511199 of Subsector 511,
25 and Group 512230 of Subsector 512 of the North American

1 Industry Classification System published by the U.S. Office of
2 Management and Budget, 1997 edition. Graphic arts production
3 does not include (i) the transfer of images onto paper or other
4 tangible personal property by means of photocopying or (ii)
5 final printed products in electronic or audio form, including
6 the production of software or audio-books. For purposes of this
7 Section, persons engaged primarily in the business of printing
8 or publishing newspapers or magazines that qualify as newsprint
9 and ink, by one or more of the processes described in Groups
10 511110 through 511199 of subsector 511 of the North American
11 Industry Classification System published by the U.S. Office of
12 Management and Budget, 1997 edition, are deemed to be engaged
13 in graphic arts production.

14 (Source: P.A. 91-51, eff. 6-30-99; 91-541, eff. 8-13-99.)

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