

1 AN ACT concerning taxation.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Use Tax Act is amended by changing  
5 Section 3-5 as follows:

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

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

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

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

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

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

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

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

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

30 (7) Farm chemicals.

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

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

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

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

34           Farm machinery and equipment shall include precision

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

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

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

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

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

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

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

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

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

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

34 (19) Personal property delivered to a purchaser or

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

18 (33) Beginning January 1, 2003, tangible personal  
19 property and its component parts purchased by a  
20 telecommunications carrier if the property and parts are used  
21 directly and primarily in transmitting, receiving, switching,  
22 or recording any interactive, two-way electromagnetic  
23 communications, including voice, image, data, and  
24 information, through the use of any medium, including, but  
25 not limited to, poles, wires, cables, switching equipment,  
26 computers, and record storage devices and media. This  
27 paragraph is exempt from the provisions of Section 3-90.

28 (Source: P.A. 90-14, eff. 7-1-97; 90-552, eff. 12-12-97;  
29 90-605, eff. 6-30-98; 91-51, eff. 6-30-99; 91-200, eff.  
30 7-20-99; 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644,  
31 eff. 8-20-99; 91-901, eff. 1-1-01; 92-35, eff. 7-1-01;  
32 92-227, eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff.  
33 8-23-01; revised 10-10-01.)

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

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

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

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

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

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

31          (4) Legal tender, currency, medallions, or gold or  
32   silver coinage issued by the State of Illinois, the  
33   government of the United States of America, or the government

1 of any foreign country, and bullion.

2 (5) Graphic arts machinery and equipment, including  
3 repair and replacement parts, both new and used, and  
4 including that manufactured on special order or purchased for  
5 lease, certified by the purchaser to be used primarily for  
6 graphic arts production. Equipment includes chemicals or  
7 chemicals acting as catalysts but only if the chemicals or  
8 chemicals acting as catalysts effect a direct and immediate  
9 change upon a graphic arts product.

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

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

32 Farm machinery and equipment shall include precision  
33 farming equipment that is installed or purchased to be  
34 installed on farm machinery and equipment including, but not

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

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

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

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

30 (10) Oil field exploration, drilling, and production  
31 equipment, including (i) rigs and parts of rigs, rotary rigs,  
32 cable tool rigs, and workover rigs, (ii) pipe and tubular  
33 goods, including casing and drill strings, (iii) pumps and  
34 pump-jack units, (iv) storage tanks and flow lines, (v) any

1 individual replacement part for oil field exploration,  
2 drilling, and production equipment, and (vi) machinery and  
3 equipment purchased for lease; but excluding motor vehicles  
4 required to be registered under the Illinois Vehicle Code.

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

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

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

18 (14) Horses, or interests in horses, registered with and  
19 meeting the requirements of any of the Arabian Horse Club  
20 Registry of America, Appaloosa Horse Club, American Quarter  
21 Horse Association, United States Trotting Association, or  
22 Jockey Club, as appropriate, used for purposes of breeding or  
23 racing for prizes.

24 (15) Computers and communications equipment utilized for  
25 any hospital purpose and equipment used in the diagnosis,  
26 analysis, or treatment of hospital patients purchased by a  
27 lessor who leases the equipment, under a lease of one year or  
28 longer executed or in effect at the time the lessor would  
29 otherwise be subject to the tax imposed by this Act, to a  
30 hospital that has been issued an active tax exemption  
31 identification number by the Department under Section 1g of  
32 the Retailers' Occupation Tax Act. If the equipment is leased  
33 in a manner that does not qualify for this exemption or is  
34 used in any other non-exempt manner, the lessor shall be

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

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

34 (17) Beginning with taxable years ending on or after



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

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

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

29 (20) A motor vehicle, as that term is defined in Section  
30 1-146 of the Illinois Vehicle Code, that is donated to a  
31 corporation, limited liability company, society, association,  
32 foundation, or institution that is determined by the  
33 Department to be organized and operated exclusively for  
34 educational purposes. For purposes of this exemption, "a

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

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

28 (22) Beginning January 1, 2000 and through December 31,  
29 2001, new or used automatic vending machines that prepare and  
30 serve hot food and beverages, including coffee, soup, and  
31 other items, and replacement parts for these machines.  
32 Beginning January 1, 2002, machines and parts for machines  
33 used in commercial, coin-operated amusement and vending  
34 business if a use or occupation tax is paid on the gross

1 receipts derived from the use of the commercial,  
2 coin-operated amusement and vending machines. This paragraph  
3 is exempt from the provisions of Section 3-75.

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

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

1 to claim a refund of that amount from the lessor. If,  
2 however, that amount is not refunded to the lessee for any  
3 reason, the lessor is liable to pay that amount to the  
4 Department. This paragraph is exempt from the provisions of  
5 Section 3-75.

6 (25) ~~(24)~~ Beginning on the effective date of this  
7 amendatory Act of the 92nd General Assembly, personal  
8 property purchased by a lessor who leases the property, under  
9 a lease of one year or longer executed or in effect at the  
10 time the lessor would otherwise be subject to the tax imposed  
11 by this Act, to a governmental body that has been issued an  
12 active tax exemption identification number by the Department  
13 under Section 1g of the Retailers' Occupation Tax Act. If  
14 the property is leased in a manner that does not qualify for  
15 this exemption or is used in any other nonexempt manner, the  
16 lessor shall be liable for the tax imposed under this Act or  
17 the Use Tax Act, as the case may be, based on the fair market  
18 value of the property at the time the nonqualifying use  
19 occurs. No lessor shall collect or attempt to collect an  
20 amount (however designated) that purports to reimburse that  
21 lessor for the tax imposed by this Act or the Use Tax Act, as  
22 the case may be, if the tax has not been paid by the lessor.  
23 If a lessor improperly collects any such amount from the  
24 lessee, the lessee shall have a legal right to claim a refund  
25 of that amount from the lessor. If, however, that amount is  
26 not refunded to the lessee for any reason, the lessor is  
27 liable to pay that amount to the Department. This paragraph  
28 is exempt from the provisions of Section 3-75.

29 (26) Beginning January 1, 2003, tangible personal  
30 property and its component parts purchased by a  
31 telecommunications carrier if the property and parts are used  
32 directly and primarily in transmitting, receiving, switching,  
33 or recording any interactive, two-way electromagnetic  
34 communications, including voice, image, data, and

1 information, through the use of any medium, including, but  
 2 not limited to, poles, wires, cables, switching equipment,  
 3 computers, and record storage devices and media. This  
 4 paragraph is exempt from the provisions of Section 3-75.

5 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;  
 6 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.  
 7 8-20-99; 92-16, eff. 6-28-01; 92-35, eff. 7-1-01; 92-227,  
 8 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;  
 9 revised 10-10-01.)

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

12 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

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

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

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

25 (3) Personal property purchased by any not-for-profit  
 26 arts or cultural organization that establishes, by proof  
 27 required by the Department by rule, that it has received an  
 28 exemption under Section 501(c)(3) of the Internal Revenue  
 29 Code and that is organized and operated primarily for the  
 30 presentation or support of arts or cultural programming,  
 31 activities, or services. These organizations include, but  
 32 are not limited to, music and dramatic arts organizations

1 such as symphony orchestras and theatrical groups, arts and  
2 cultural service organizations, local arts councils, visual  
3 arts organizations, and media arts organizations. On and  
4 after the effective date of this amendatory Act of the 92nd  
5 General Assembly, however, an entity otherwise eligible for  
6 this exemption shall not make tax-free purchases unless it  
7 has an active identification number issued by the Department.

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

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

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

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

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

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

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

24 (8) Fuel and petroleum products sold to or used by an  
25 air common carrier, certified by the carrier to be used for  
26 consumption, shipment, or storage in the conduct of its  
27 business as an air common carrier, for a flight destined for  
28 or returning from a location or locations outside the United  
29 States without regard to previous or subsequent domestic  
30 stopovers.

31 (9) Proceeds of mandatory service charges separately  
32 stated on customers' bills for the purchase and consumption  
33 of food and beverages, to the extent that the proceeds of the  
34 service charge are in fact turned over as tips or as a

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

5 (10) Oil field exploration, drilling, and production  
6 equipment, including (i) rigs and parts of rigs, rotary rigs,  
7 cable tool rigs, and workover rigs, (ii) pipe and tubular  
8 goods, including casing and drill strings, (iii) pumps and  
9 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 (11) Photoprocessing machinery and equipment, including  
15 repair and replacement parts, both new and used, including  
16 that manufactured on special order, certified by the  
17 purchaser to be used primarily for photoprocessing, and  
18 including photoprocessing machinery and equipment purchased  
19 for lease.

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

25 (13) Food for human consumption that is to be consumed  
26 off the premises where it is sold (other than alcoholic  
27 beverages, soft drinks and food that has been prepared for  
28 immediate consumption) and prescription and non-prescription  
29 medicines, drugs, medical appliances, and insulin, urine  
30 testing materials, syringes, and needles used by diabetics,  
31 for human use, when purchased for use by a person receiving  
32 medical assistance under Article 5 of the Illinois Public Aid  
33 Code who resides in a licensed long-term care facility, as  
34 defined in the Nursing Home Care Act.



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

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

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  
16 the 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  
20 that has been issued an active tax exemption identification  
21 number by the Department under Section 1g of the Retailers'  
22 Occupation 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  
26 for disaster relief to be used in a State or federally  
27 declared disaster area in Illinois or bordering Illinois by a  
28 manufacturer or retailer that is registered in this State to  
29 a corporation, society, association, foundation, or  
30 institution that has been issued a sales tax exemption  
31 identification number by the Department that assists victims  
32 of the disaster who reside within the declared disaster area.

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

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

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

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

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

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

17 (23) Beginning January 1, 2000 and through December 31,  
18 2001, new or used automatic vending machines that prepare and  
19 serve hot food and beverages, including coffee, soup, and  
20 other items, and replacement parts for these machines.  
21 Beginning January 1, 2002, machines and parts for machines  
22 used in commercial, coin-operated amusement and vending  
23 business if a use or occupation tax is paid on the gross  
24 receipts derived from the use of the commercial,  
25 coin-operated amusement and vending machines. This paragraph  
26 is exempt from the provisions of Section 3-55.

27 (24) Beginning on the effective date of this amendatory  
28 Act of the 92nd General Assembly, computers and  
29 communications equipment utilized for any hospital purpose  
30 and equipment used in the diagnosis, analysis, or treatment  
31 of hospital patients sold to a lessor who leases the  
32 equipment, under a lease of one year or longer executed or in  
33 effect at the time of the purchase, to a hospital that has  
34 been issued an active tax exemption identification number by

1 the Department under Section 1g of the Retailers' Occupation  
2 Tax Act. This paragraph is exempt from the provisions of  
3 Section 3-55.

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

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

1       (27) Beginning January 1, 2003, tangible personal  
 2       property and its component parts purchased by a  
 3       telecommunications carrier if the property and parts are used  
 4       directly and primarily in transmitting, receiving, switching,  
 5       or recording any interactive, two-way electromagnetic  
 6       communications, including voice, image, data, and  
 7       information, through the use of any medium, including, but  
 8       not limited to, poles, wires, cables, switching equipment,  
 9       computers, and record storage devices and media. This  
 10       paragraph is exempt from the provisions of Section 3-55.

11       (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;  
 12       91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.  
 13       8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,  
 14       eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;  
 15       92-484, eff. 8-23-01; 92-488, eff. 8-23-01; revised  
 16       10-10-01.)

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

19       (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

- 23       (1) Farm chemicals.
- 24       (2) Farm machinery and equipment, both new and used,  
 25       including that manufactured on special order, certified by  
 26       the purchaser to be used primarily for production agriculture  
 27       or State or federal agricultural programs, including  
 28       individual replacement parts for the machinery and equipment,  
 29       including machinery and equipment purchased for lease, and  
 30       including implements of husbandry defined in Section 1-130 of  
 31       the Illinois Vehicle Code, farm machinery and agricultural  
 32       chemical and fertilizer spreaders, and nurse wagons required

1 to be registered under Section 3-809 of the Illinois Vehicle  
2 Code, but excluding other motor vehicles required to be  
3 registered under the Illinois Vehicle Code. Horticultural  
4 polyhouses or hoop houses used for propagating, growing, or  
5 overwintering plants shall be considered farm machinery and  
6 equipment under this item (2). Agricultural chemical tender  
7 tanks and dry boxes shall include units sold separately from  
8 a motor vehicle required to be licensed and units sold  
9 mounted on a motor vehicle required to be licensed, if the  
10 selling price of the 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,  
15 seeders, or spreaders. Precision farming equipment includes,  
16 but is not limited to, soil testing sensors, computers,  
17 monitors, software, global positioning and mapping systems,  
18 and other such equipment.

19 Farm machinery and equipment also includes computers,  
20 sensors, software, and related equipment used primarily in  
21 the computer-assisted operation of production agriculture  
22 facilities, equipment, and activities such as, but not  
23 limited to, the collection, monitoring, and correlation of  
24 animal and crop data for the purpose of formulating animal  
25 diets and agricultural chemicals. This item (7) is exempt  
26 from the provisions of Section 2-70.

27 (3) Distillation machinery and equipment, sold as a unit  
28 or kit, assembled or installed by the retailer, certified by  
29 the user to be used only for the production of ethyl alcohol  
30 that will be used for consumption as motor fuel or as a  
31 component of motor fuel for the personal use of the user, and  
32 not subject to sale or resale.

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

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

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

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

21 (7) Proceeds of that portion of the selling price of a  
22 passenger car the sale of which is subject to the Replacement  
23 Vehicle Tax.

24 (8) Personal property sold to an Illinois county fair  
25 association for use in conducting, operating, or promoting  
26 the county fair.

27 (9) Personal property sold to a not-for-profit arts or  
28 cultural organization that establishes, by proof required by  
29 the Department by rule, that it has received an exemption  
30 under Section 501(c)(3) of the Internal Revenue Code and that  
31 is organized and operated primarily for the presentation or  
32 support of arts or cultural programming, activities, or  
33 services. These organizations include, but are not limited  
34 to, music and dramatic arts organizations such as symphony

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

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

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

29 (12) Personal property sold to interstate carriers for  
30 hire for use as rolling stock moving in interstate commerce  
31 or to lessors under leases of one year or longer executed or  
32 in effect at the time of purchase by interstate carriers for  
33 hire for use as rolling stock moving in interstate commerce  
34 and equipment operated by a telecommunications provider,



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

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

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

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

32 (16) Petroleum products sold to a purchaser if the  
33 seller is prohibited by federal law from charging tax to the  
34 purchaser.

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

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

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

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

28           (21) Coal exploration, mining, offhighway hauling,  
29 processing, maintenance, and reclamation equipment, including  
30 replacement parts and equipment, and including equipment  
31 purchased for lease, but excluding motor vehicles required to  
32 be registered under the Illinois Vehicle Code.

33           (22) Fuel and petroleum products sold to or used by an  
34 air carrier, certified by the carrier to be used for

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

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

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

16 (25) A motor vehicle sold in this State to a nonresident  
17 even though the motor vehicle is delivered to the nonresident  
18 in this State, if the motor vehicle is not to be titled in  
19 this State, and if a driveaway decal permit is issued to the  
20 motor vehicle as provided in Section 3-603 of the Illinois  
21 Vehicle Code or if the nonresident purchaser has vehicle  
22 registration plates to transfer to the motor vehicle upon  
23 returning to his or her home state. The issuance of the  
24 driveaway decal permit or having the out-of-state  
25 registration plates to be transferred is prima facie evidence  
26 that the motor vehicle will not be titled in this State.

27 (26) Semen used for artificial insemination of livestock  
28 for direct agricultural production.

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

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

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

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

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

1 located in the declared disaster area within 6 months after  
2 the disaster.

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

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

28 (34) Beginning January 1, 2000, personal property,  
29 including food, purchased through fundraising events for the  
30 benefit of a public or private elementary or secondary  
31 school, a group of those schools, or one or more school  
32 districts if the events are sponsored by an entity recognized  
33 by the school district that consists primarily of volunteers  
34 and includes parents and teachers of the school children.

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

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

18 (36) Beginning on the effective date of this amendatory  
19 Act of the 92nd General Assembly, computers and  
20 communications equipment utilized for any hospital purpose  
21 and equipment used in the diagnosis, analysis, or treatment  
22 of hospital patients sold to a lessor who leases the  
23 equipment, under a lease of one year or longer executed or in  
24 effect at the time of the purchase, to a hospital that has  
25 been issued an active tax exemption identification number by  
26 the Department under Section 1g of this Act. This paragraph  
27 is exempt from the provisions of Section 2-70.

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

1 provisions of Section 2-70.

2 (38) ~~(36)~~ Beginning on January 1, 2002, tangible  
3 personal property purchased from an Illinois retailer by a  
4 taxpayer engaged in centralized purchasing activities in  
5 Illinois who will, upon receipt of the property in Illinois,  
6 temporarily store the property in Illinois (i) for the  
7 purpose of subsequently transporting it outside this State  
8 for use or consumption thereafter solely outside this State  
9 or (ii) for the purpose of being processed, fabricated, or  
10 manufactured into, attached to, or incorporated into other  
11 tangible personal property to be transported outside this  
12 State and thereafter used or consumed solely outside this  
13 State. The Director of Revenue shall, pursuant to rules  
14 adopted in accordance with the Illinois Administrative  
15 Procedure Act, issue a permit to any taxpayer in good  
16 standing with the Department who is eligible for the  
17 exemption under this paragraph (36). The permit issued under  
18 this paragraph (36) shall authorize the holder, to the extent  
19 and in the manner specified in the rules adopted under this  
20 Act, to purchase tangible personal property from a retailer  
21 exempt from the taxes imposed by this Act. Taxpayers shall  
22 maintain all necessary books and records to substantiate the  
23 use and consumption of all such tangible personal property  
24 outside of the State of Illinois.

25 (39) Beginning January 1, 2003, tangible personal  
26 property and its component parts purchased by a  
27 telecommunications carrier if the property and parts are used  
28 directly and primarily in transmitting, receiving, switching,  
29 or recording any interactive, two-way electromagnetic  
30 communications, including voice, image, data, and  
31 information, through the use of any medium, including, but  
32 not limited to, poles, wires, cables, switching equipment,  
33 computers, and record storage devices and media. This  
34 paragraph is exempt from the provisions of Section 2-70.

1 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;  
2 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.  
3 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,  
4 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;  
5 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; revised  
6 10-10-01.)

7 Section 90. The State Mandates Act is amended by adding  
8 Section 8.26 as follows:

9 (30 ILCS 805/8.26 new)

10 Sec. 8.26. Exempt mandate. Notwithstanding Sections 6  
11 and 8 of this Act, no reimbursement by the State is required  
12 for the implementation of any mandate created by this  
13 amendatory Act of the 92nd General Assembly.

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