

1 AN ACT concerning State government.

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

4 Section 1. Short title. This Act may be cited as the
5 Illinois Innovation Zone Act.

6 Section 5. Findings. The General Assembly finds that
7 Illinois faces considerable challenges as it confronts
8 increasing global competition, turbulent financial markets,
9 recessionary pressures, and mounting unemployment levels.
10 Although Illinois businesses, entrepreneurs, and institutions
11 have a rich history of innovation, other states and nations
12 have instituted major financial incentive programs
13 specifically targeted at businesses, institutions, and
14 entrepreneurs to accelerate the pace of innovation and job
15 creation. The State must continue the development of, and
16 implement new measures to, create a vibrant technology-based
17 economy in Illinois and the resultant high-skill, high-wage
18 jobs that a technology-based economy will provide for Illinois'
19 citizens. There are certain areas in this State that need the
20 particular attention of government, business, advanced
21 sciences, and the citizens of Illinois to help attract
22 investments in the advanced sciences for these areas, to
23 directly aid the local community and its residents, and to

1 expand the body of fundamental knowledge. These efforts must
2 include activities that will: (1) encourage and retain
3 entrepreneurs and our highly skilled and educated graduates and
4 workers; (2) develop an innovation culture that will sustain a
5 technology pipeline; (3) supplement the resources and
6 expertise of local technology-based companies, universities,
7 national laboratories, hospitals and health care institutions,
8 and other institutions; (4) encourage productive regional
9 public and private sector collaborations; (5) ensure a skilled,
10 technologically competent workforce pipeline; and (6) make
11 Illinois a premier location for technology-based businesses
12 and entrepreneurs. An essential first step to accomplish these
13 goals is the establishment of geographically and strategically
14 based designated Illinois Innovation Zones and the creation of
15 an Illinois Innovation Council to help coordinate and evaluate
16 the progress of the Innovation Zones in achieving the goals of
17 this Act.

18 Section 10. Definitions. As used in this Act:

19 "Business" means a for-profit, not-for-profit, or
20 non-profit legal entity located in an Innovation Zone,
21 including, but not limited to, any sole proprietorship,
22 partnership, corporation, joint venture, association, or
23 cooperative.

24 "Department" means the Department of Commerce and Economic
25 Opportunity.

1 "Financial institution" means a trust company, a bank, a
2 savings bank, a credit union, an investment bank, a broker, an
3 investment trust, a pension fund, a building and loan
4 association, a savings and loan association, an insurance
5 company, or any venture capital company that is authorized to
6 do business in this State.

7 "Loan" means an agreement or contract to provide a loan or
8 other financial aid to a business.

9 "Participating lender" means a financial institution
10 approved by the Department that assumes a portion of the
11 financing for a business project.

12 "Project" means any specific economic development activity
13 of a commercial, industrial, manufacturing, agricultural,
14 healthcare or health services, scientific, service, or other
15 business in an Innovation Zone, the result of which yields an
16 increase in jobs and may include the purchase or lease of
17 machinery and equipment, the lease or purchase of real property
18 or funds for infrastructure necessitated by site preparation,
19 building construction, or related purposes. "Project" does not
20 include refinancing current debt.

21 "Zone" means an Innovation Zone established under this Act.

22 Section 15. Qualifications for Innovation Zones. An area is
23 qualified to become an Innovation Zone if it:

24 (1) is an existing technology park and has been
25 recognized as such by the Department, including the DuPage

1 National Technology Park, the Illinois Science +
2 Technology Park, the Chicago Technology Park, the Research
3 Park at the University of Illinois, the University
4 Technology Park at the Illinois Institute of Technology,
5 the Southern Illinois Research Park at Carbondale, the
6 University Park at Southern Illinois University
7 Edwardsville, and the Peoria NEXT Innovation Center; or

8 (2) is an area that meets all of the following
9 criteria:

10 (A) is a contiguous area that is properly zoned for
11 commercial/industrial activity, but a zone area may
12 exclude wholly surrounded territory within its
13 boundaries;

14 (B) has an established partnership that is
15 comprised of an institution of higher education and a
16 combination of: private businesses; business support
17 organizations, including economic development
18 organizations and workforce development or training
19 organizations; commercial lending institutions;
20 venture capital networks, including angel investors;
21 foundations; and local or county governments;

22 (C) has a concentration of, or is targeting for,
23 development and location, technology-based businesses
24 and entrepreneurs;

25 (D) has a primary goal of promoting innovations
26 leading to new business development or business

1 expansion and retention and job creation or retention
2 within a designated geographic area;

3 (E) has sufficient infrastructure in place,
4 including human capital, to support and attract
5 technology-based businesses and entrepreneurs;

6 (F) any additional criteria established by the
7 Department or by law that will serve to advance the
8 commercialization of the area's research and
9 development, leading to the creation of new
10 technology-based enterprises, wealth, and new job
11 creation.

12 Section 20. Initiation of Innovation Zones by a
13 municipality or county.

14 (a) No area may be designated as an Innovation Zone except
15 pursuant to an initiating ordinance adopted in accordance with
16 this Section.

17 (b) A county or municipality may by ordinance designate an
18 area within its jurisdiction as an Innovation Zone, subject to
19 the certification of the Department in accordance with this
20 Act, if:

21 (1) the area is qualified in accordance with Section
22 15; and

23 (2) the county or municipality has conducted at least
24 one public hearing within the proposed zone area on the
25 question of whether to create the zone, what local plans,

1 tax incentives, or other programs should be established in
2 connection with the Zone, and what the boundaries of the
3 Zone should be; public notice of the hearing shall be
4 published in at least one newspaper of general circulation
5 within the Zone area not more than 20 days nor less than 5
6 days before the hearing.

7 (c) An ordinance designating an area as an Innovation Zone
8 shall set forth all of the following:

9 (1) a precise description of the area comprising the
10 zone, either in the form of a legal description or by
11 reference to roadways, lakes and waterways, and township
12 and county boundaries;

13 (2) a finding that the zone area meets the
14 qualifications of Section 15;

15 (3) provisions for any tax incentives or reimbursement
16 for taxes that pursuant to State and federal law apply to
17 business enterprises within the zone at the election of the
18 designating county or municipality and that are not
19 applicable throughout the county or municipality;

20 (4) a designation of the area as an Innovation Zone,
21 subject to the approval of the Department in accordance
22 with this Act; and

23 (5) the duration or term of the Innovation Zone.

24 (d) This Section does not prohibit a municipality or county
25 from extending additional tax incentives or reimbursement for
26 business enterprises in Innovation Zones or throughout their

1 territory by separate ordinance.

2 Section 25. Application to Department. A county or
3 municipality that has adopted an ordinance designating an area
4 as an Innovation Zone shall make written application to the
5 Department to have the proposed Innovation Zone certified by
6 the Department as an Innovation Zone. The application must
7 include:

8 (1) a certified copy of the ordinance designating the
9 proposed zone;

10 (2) a map of the proposed Innovation Zone, showing
11 existing streets and highways, the total area, and present
12 use and conditions generally of the land and structures
13 within those boundaries;

14 (3) an analysis, and any appropriate supporting
15 documents and statistics, demonstrating that the proposed
16 zone area is qualified in accordance with Section 15;

17 (4) a statement detailing any tax, grant, and other
18 financial incentives or benefits, and any programs, to be
19 provided by the municipality or county to business
20 enterprises within the zone, other than those provided in
21 the designating ordinance, that are not to be provided
22 throughout the municipality or county;

23 (5) a statement setting forth the economic development
24 and planning objectives for the Zone, such as a description
25 of the methods proposed to increase economic development

1 and expansion, to facilitate infrastructure improvement,
2 to reduce the local regulatory burden, and to identify job
3 training opportunities;

4 (6) a Memorandum of Understanding or Partnership
5 Agreement executed by the entities and organizations set
6 forth in Section 15 outlining the roles, responsibilities,
7 and contributions of each partner to the Zone;

8 (7) a statement describing the functions, programs,
9 and services to be performed by designated Zone
10 organizations within the Zone;

11 (8) an estimate of the economic impact of the Zone,
12 considering all of the tax incentives, financial benefits,
13 and programs contemplated, upon the revenues of the
14 municipality or county;

15 (9) a transcript of all public hearings on the Zone;
16 and

17 (10) any additional information as the Department by
18 rule may require.

19 Section 30. Department review of Innovation Zone
20 applications.

21 (a) All applications that are to be considered under the
22 criteria in item (1) of Section 15 and acted upon by the
23 Department may be submitted to the Department once all of the
24 application requirements have been met.

25 (b) For all other applications that are to be considered

1 under the criteria in item (2) of Section 15 and acted upon by
2 the Department during a calendar year must be received by the
3 Department no later than December 31 of the preceding calendar
4 year. Any application received on or after January 1 of any
5 calendar year shall be held by the Department for consideration
6 and action during the following calendar year.

7 (c) Upon receipt of an application from a county or
8 municipality, the Department shall review the application to
9 determine whether the designated area qualifies as an
10 Innovation Zone under Section 15 of this Act.

11 (d) For applications submitted under the criteria in item
12 (1) of Section 15, the Department shall notify all applicant
13 municipalities and counties of the Department's determination
14 of the qualification of their respective designated Innovation
15 Zone areas within 60 days after receipt of a completed
16 application. For applications submitted under the criteria in
17 item (2) of Section 15, the Department shall notify all
18 applicant municipalities and counties of the Department's
19 determination of the qualification of their respective
20 designated Innovation Zone areas by no later than May 1.

21 (e) If such designated area is found to be qualified to be
22 an Innovation Zone, the Department shall publish a notice in at
23 least one newspaper of general circulation within the proposed
24 Zone area to notify the general public of the application and
25 their opportunity to comment. The notice shall include a
26 description of the area and a brief summary of the application

1 and shall indicate locations where the applicant has provided
2 copies of the application for public inspection. The notice
3 shall also indicate appropriate procedures for the filing of
4 written comments from residents, business, civic, and other
5 organizations and property owners adjacent to the proposed Zone
6 to the Department.

7 (f) Except for as provided for in subsection (a) of this
8 Section, by July 1 of each calendar year, the Department shall
9 either approve or deny all applications filed by December 31 of
10 the preceding calendar year. If an application is denied, then
11 the Department shall inform the county or municipality of the
12 specific reasons for the denial.

13 Section 35. Certification of Innovation Zones; effective
14 date.

15 (a) Approval of designated Innovation Zones shall be made
16 by the Department by certification of the designating
17 ordinance. The Department shall promptly issue a certificate
18 for each Innovation Zone upon its approval. The certificate
19 shall be signed by the Director of the Department, shall make
20 specific reference to the designating ordinance, which shall be
21 attached thereto, and shall be filed in the Office of the
22 Secretary of State. A certified copy of the Innovation Zone
23 Certificate, or a duplicate original thereof, shall be recorded
24 in the office of recorder of deeds of the county in which the
25 Innovation Zone lies.

1 (b) An Innovation Zone shall be effective upon its
2 certification. The Department shall transmit a copy of the
3 certification to the Department of Revenue and to the
4 designating municipality or county. Upon certification of an
5 Innovation Zone, the terms and provisions of the designating
6 ordinance shall be in effect, and may not be amended or
7 repealed except in accordance with Section 40.

8 (c) An Innovation Zone shall be in effect for 30 calendar
9 years or for a lesser number of years specified in the
10 certified designating ordinance. Innovation Zones shall
11 terminate at midnight of December 31 of the final calendar year
12 of the certified term, except as provided in Section 15.

13 (d) No more than 8 Innovation Zones may be certified by the
14 Department in calendar year 2010 and no more than 15 Innovation
15 Zones may exist in the State at any given time.

16 Section 40. Amendment and decertification of Innovation
17 Zones.

18 (a) The terms of a certified Innovation Zone designating
19 ordinance may be amended to do any of the following:

20 (1) alter the boundaries of the Innovation Zones;

21 (2) expand, limit, or repeal tax incentives or benefits
22 provided in the ordinance;

23 (3) alter the termination date of the Zone;

24 (4) make technical corrections in the Innovation Zone
25 designating ordinance, but such amendment shall not be

1 effective unless the Department issues an amended
2 certificate for the Innovation Zone, approving the amended
3 designating ordinance. Upon the adoption of any ordinance
4 amending or repealing the terms of a certified Innovation
5 Zone designating ordinance, the municipality or county
6 shall promptly file with the Department an application for
7 approval thereof, containing substantially the same
8 information as required for an application under Section 25
9 insofar as material to the proposed changes. The
10 municipality or county must hold a public hearing on the
11 proposed changes as specified in Section 20 and, if the
12 amendment is to effectuate the limitation of tax abatements
13 under Section 45, then the public notice of the hearing
14 shall state that property that is in both the Innovation
15 Zone and a redevelopment project area may not receive tax
16 abatements unless within 60 days after the adoption of the
17 abatement to the designating ordinance the municipality
18 has determined that eligibility for tax abatements has been
19 established;

20 (5) include an area within another municipality or
21 county as part of the designated Innovation Zone provided
22 the requirements of Section 15 are met; or

23 (6) effectuate the limitation of tax abatements under
24 Section 45.

25 No amendment of a certified Innovation Zone designating
26 ordinance is required if the sole change is the addition of new

1 partners to the Memorandum of Understanding or Partnership
2 Agreement that was submitted to the Department as part of the
3 original application to the Department. The Zone Administrator
4 shall provide timely written notification to the Department of
5 the names of any new partners that are added to the Memorandum
6 of Understanding or Partnership Agreement.

7 (b) The Department shall approve or disapprove a proposed
8 amendment to a certified Innovation Zone within 60 days after
9 its receipt of the application from the municipality or county.
10 The Department may not approve changes in a Zone that are not
11 in conformity with this Act or with other applicable laws. If
12 the Department issues an amended certificate for an Innovation
13 Zone, the amended certificate, together with the amended Zone
14 designating ordinance, shall be filed, recorded, and
15 transmitted as provided in Section 35. If the Department does
16 not take any action to approve or disapprove a proposed
17 amendment to a certified Innovation Zone within 90 days after
18 its receipt, then the proposed amendment will be deemed to be
19 approved and shall take effect.

20 (c) An Innovation Zone may be decertified by joint action
21 of the Department and the designating county or municipality in
22 accordance with this Section. The designating county or
23 municipality shall conduct at least one public hearing within
24 the Zone prior to its adoption of an ordinance of
25 de-designation. The mayor of the designating municipality or
26 the chairperson of the county board of the designating county

1 shall execute a joint decertification agreement with the
2 Department. A decertification of an Innovation Zone shall not
3 become effective until at least 6 months after the execution of
4 the decertification agreement, which shall be filed in the
5 Office of the Secretary of State.

6 (d) An Innovation Zone may be decertified for cause by the
7 Department in accordance with this Section. Prior to the
8 decertification: (i) the Department shall notify the chief
9 elected official of the designating county or municipality in
10 writing of the specific deficiencies that provide cause for
11 decertification; (ii) the Department shall place the
12 designating county or municipality on probationary status for
13 at least 6 months during which time corrective action may be
14 achieved in the Innovation Zone by the designating county or
15 municipality; and (iii) the Department shall conduct at least
16 one public hearing within the Zone. If the corrective action is
17 not achieved during the probationary period, the Department
18 shall issue an amended certificate signed by the Director of
19 the Department decertifying the Innovation Zone, which
20 certificate shall be filed in the Office of the Secretary of
21 State. A certified copy of the amended Innovation Zone
22 certificate, or a duplicate original thereof, shall be recorded
23 in the office of recorder of the county in which the Innovation
24 Zone lies and shall be provided to the chief elected official
25 of the designating county or municipality. Certification of an
26 Innovation Zone shall not become effective until 60 days after

1 the date of filing.

2 (e) In the event of a decertification or an amendment
3 reducing the length of the term or the area of an Innovation
4 Zone or the adoption of an ordinance reducing or eliminating
5 tax benefits in an Innovation Zone all benefits previously
6 extended within the Zone pursuant to this Act or pursuant to
7 any other Illinois law providing benefits specifically to or
8 within Innovation Zones shall remain in effect for the original
9 stated term of the Innovation Zone with respect to business
10 enterprises within the Zone on the effective date of such
11 decertification or amendment.

12 (f) Except as otherwise provided in this Act, with respect
13 to business enterprises that are proposed or under development
14 within a Zone at the time of a decertification or an amendment
15 reducing the length of the term of the Zone, or excluding from
16 the Zone area the site of the proposed enterprise, or an
17 ordinance reducing or eliminating tax benefits in a Zone, or
18 excluding from the Zone area the site of the proposed
19 enterprise, or an ordinance reducing or eliminating tax
20 benefits in a Zone, such business enterprise shall be entitled
21 to the benefits previously applicable within the Zone for the
22 original stated term of the Zone, if the business enterprise
23 establishes:

24 (1) that the proposed business enterprise expansion
25 has been committed to be located within the Zone;

26 (2) that substantial and binding financial obligations

1 have been made towards the development of the enterprise;
2 and

3 (3) that the commitments have been made in reasonable
4 reliance on the benefits and programs that were to have
5 been applicable to the enterprise by reason of the Zone,
6 including in the case of a reduction in term of a Zone, the
7 original length of the term.

8 In declaratory judgment actions under this Section, the
9 Department and the designating municipality or county shall be
10 necessary parties.

11 Section 45. Adoption of tax increment financing.

12 (a) If (i) a redevelopment project area is, will be, or has
13 been created by a municipality under Division 74.4 of the
14 Illinois Municipal Code, (ii) the redevelopment project area
15 contains property that is located in an Innovation Zone, (iii)
16 the municipality adopts an amendment to the Innovation Zone
17 designating ordinance pursuant to Section 40 of this Act
18 specifically concerning the abatement of taxes on property
19 located within a redevelopment project area created pursuant to
20 Division 74.4 of the Illinois Municipal Code, and (iv) the
21 Department certifies the ordinance amendment, then the
22 property that is located in both the Innovation Zone and the
23 redevelopment project area shall not be eligible for the
24 abatement of taxes under Section 18-170 of the Property Tax
25 Code.

1 No business or expansion or individual, however, that has
2 constructed a new improvement or renovated or rehabilitated an
3 existing improvement and has received an abatement on the
4 improvement under Section 18-170 of the Property Tax Code may
5 be denied any benefit previously extended within the Zone under
6 this Act or under any other Illinois law providing benefits
7 specifically to or within Innovation Zones. If the business or
8 individual presents evidence to the municipality, then within
9 30 days after the adoption by the municipality of an amendment
10 to the designating ordinance, the sufficiency of which must be
11 determined by findings of the corporate authorities made within
12 30 days after the receipt of such evidence by the municipality,
13 that before the date of the notice of the public hearing
14 provided by the municipality regarding the amendment to the
15 designating ordinance (i) the business or expansion or
16 individual was committed to locate within the Innovation Zone,
17 (ii) substantial and binding financial obligations were made
18 towards the development of the business, and (iii) those
19 commitments were made in reasonable reliance on the benefits
20 and programs that were applicable to the business or individual
21 by reason of the Innovation Zone, then the business or
22 expansion or individual may not be denied any benefit
23 previously extended within the zone under this Act or under any
24 other Illinois law providing benefits specifically to or within
25 Innovation Zones.

26 (b) This Section applies to all property located within

1 both a redevelopment project area adopted under Division 74.4
2 of the Illinois Municipal Code and an Innovation Zone even if
3 the redevelopment project area was adopted before the effective
4 date of this Act.

5 (c) If (i) a redevelopment project is created by a
6 municipality under Division 74.4 of the Illinois Municipal Code
7 and (ii) the redevelopment project area contains property that
8 is located in an Innovation Zone, then the municipality must
9 adopt an amendment to the certified Innovation Zone designating
10 ordinance under Section 40 that property that is located in
11 both the Innovation Zone and the redevelopment project area
12 shall not be eligible for any abatement of taxes under Section
13 18-170 of the Property Tax Code for new improvements or the
14 renovation or rehabilitation of existing improvements.

15 (d) In declaratory judgment actions under this Section, the
16 Department and the designating municipality shall be necessary
17 parties.

18 Section 50. Powers and duties of Department.

19 (a) The Department shall administer this Act and shall have
20 the following powers and duties:

21 (1) To monitor the implementation of this Act and any
22 suggestions for legislation to the Director of the
23 Department and the Illinois Innovation Council by December
24 31 of every calendar year and to annually report to the
25 General Assembly employment, number of business

1 establishments, the dollar value of new construction, and
2 improvements for each Innovation Zone.

3 (2) To promulgate all necessary rules and regulations
4 to carry out the purposes of this Act in accordance with
5 the Illinois Administrative Procedure Act.

6 (b) The Department shall provide information and
7 appropriate assistance to persons desiring to locate and engage
8 in business in an Innovation Zone, to persons engage in
9 business in an Innovation Zone and to Designated Zone
10 Organizations operating there.

11 (c) The Department shall, in cooperation with appropriate
12 units of local government and State agencies, coordinate and
13 streamline existing State business assistance programs and
14 permit and license application procedures for Innovation Zone
15 businesses.

16 (d) The Department shall publicize existing tax incentives
17 and economic development programs within the Zone and upon
18 request, offer technical assistance in abatement and
19 alternative revenue source development to local units of
20 government which have Innovation Zones within their
21 jurisdiction.

22 (e) The Department shall provide support and assistance to
23 the members of the Illinois Innovation Council in carrying out
24 their responsibilities and powers established in Section 115 of
25 this Act.

1 Section 55. State incentives regarding public services and
2 physical infrastructure.

3 (a) This Act does not restrict tax incentive financing
4 pursuant to the Tax Increment Allocation Redevelopment Act.

5 (b) Priority in the use of industrial development bonds
6 issued by the Illinois Finance Authority shall be given to
7 businesses located in an Innovation Zone.

8 (c) The State Treasurer is authorized and encouraged to
9 place deposits of State funds with financial institutions doing
10 business in an Innovation Zone and to encourage angel and
11 venture capital investments in businesses created or located in
12 Innovation Zones.

13 (d) Priority in the use of business or technology
14 development grant and loan programs, worker training and
15 retraining programs, and any other grant, loan, or assistance
16 programs administered by the Department shall be given to
17 businesses located in an Innovation Zone.

18 Section 60. Zone administration. The administration of an
19 Innovation Zone shall be under the jurisdiction of the
20 designating municipality or county. Each designating
21 municipality or county shall, by ordinance, designate a Zone
22 Administrator for the certified zones within its jurisdiction.
23 The Zone Administrator must have the capacity to handle the
24 Zone's financial and administrative functions and must have the
25 expertise to facilitate the Zone's efforts at fostering

1 innovation, commercializing research, and creating
2 entrepreneurial opportunities. The Zone Administrator shall be
3 the liaison between the designating municipality or county, the
4 Department, and the Illinois Innovation Council. The Zone
5 Administrator may provide the following services or perform the
6 following functions in coordination with the municipality or
7 county:

8 (1) Provide or contract for provision of public
9 services.

10 (2) Exercise authority for the enforcement of any code,
11 permit, or licensing procedure within an Innovation Zone.

12 (3) Provide a forum for business, education, labor, and
13 government action on Zone innovations.

14 (4) Receive title to publicly owned land.

15 (5) Perform such other functions as the responsible
16 government entity may deem appropriate, including
17 offerings and contracts for insurance with businesses
18 within the Zone.

19 (6) To apply for and administer any State or federal
20 grant program funds that may be awarded to the Zone for the
21 benefit of business enterprises located in the Zone or any
22 other public or private funds that may be awarded or
23 otherwise received for the benefit of business enterprises
24 or workers within the Zone.

25 (7) Agree with local governments to provide such public
26 services within the Zones by contracting with private firms

1 and organizations, where feasible and prudent.

2 (8) Solicit and receive contributions to improve the
3 innovation assets and infrastructure in the Zone.

4 Section 65. Income tax deduction.

5 (a) A taxpayer may receive a deduction against income
6 subject to State taxes for a contribution to a designated Zone
7 Organization if the project for which the contribution is made
8 has been specifically approved by the designating municipality
9 or county and by the Department.

10 (b) Any designated Zone Organization seeking to have a
11 project approved for contribution must submit an application to
12 the Department describing the nature and benefit of the project
13 and its potential contributors. The designated Zone
14 Organization must be fiscally responsible for the project.

15 (c) The project must enhance the Innovation Zone in one of
16 the following ways:

17 (1) by creating permanent jobs;

18 (2) by furthering the ability of the Zone to attract
19 and develop technology-based business enterprises and
20 entrepreneurs;

21 (3) by increasing the availability of financial
22 resources that will support the attraction and development
23 of technology-based business enterprises and
24 entrepreneurs, including seed and venture funding; or

25 (4) by improving the availability of a skilled

1 workforce that will attract and/or support
2 technology-based business enterprises.

3 (d) If the designated Zone Organization demonstrates its
4 ability to enhance the Zone's activities in one or more of the
5 ways listed in subsection (c) of this Section, then the
6 Department shall approve the organization's proposed projects
7 and specify the amount of contributions that it is eligible to
8 receive for the project. Comments from State elected officials
9 and county and municipal officials in which all or part of the
10 Innovation Zone are located or in which the project is proposed
11 to be located must be solicited by the Department in making its
12 decision.

13 (e) Within 45 days after the receipt of an application, the
14 Department shall give notice to the applicant as to whether the
15 application has been approved or disapproved. If the Department
16 disapproves the application, then it shall specify the reasons
17 for this decision and allow 60 days for the applicant to amend
18 and resubmit its application. The Department shall provide
19 assistance upon request to applicants. The Department must
20 approve or disapprove resubmitted applications within 30 days
21 after submission. Those resubmitted applications satisfying
22 initial Department objectives must be approved unless
23 reasonable circumstances warrant disapproval.

24 (f) On an annual basis, the designated Zone Organization
25 shall furnish a statement to the Department on the programmatic
26 and financial status of any approved project and an audited

1 financial statement of the project.

2 (g) For any project that is approved and for which there is
3 a specified amount of contributions that the designated Zone
4 Organization may receive for an approved project as provided in
5 subsection (d) of this Section, the designated Zone
6 Organization shall provide to the Department any information
7 necessary to determine the eligibility of a contribution to the
8 project for a deduction under Section 203 of the Illinois
9 Income Tax Act. The Department shall certify to the Department
10 of Revenue the taxpayers eligible for and the amounts of
11 contributions which those taxpayers may claim as a deduction
12 under Section 203 of the Illinois Income Tax Act. The total of
13 all actual contributions approved by the Department for
14 deductions under this Section may not exceed \$15,400,000 in any
15 one calendar year.

16 Section 70. State and local regulatory alternatives.

17 (a) Agencies may provide in their rules for (i) the
18 exemption of business enterprises within Innovation Zones or
19 (ii) modifications or alternatives specifically applicable to
20 business enterprises within Innovation Zones, that impose less
21 stringent standards or alternative standards for compliance,
22 including performance-based standards as a substitute for
23 specific mandates of methods, procedures, or equipment.

24 Exemptions, modifications, or alternatives shall be
25 effected by rules adopted in accordance with the Illinois

1 Administrative Procedure Act. The Agency adopting the
2 exemptions, modifications, or alternatives shall file with its
3 proposed rule its findings that the proposed rule provides
4 economic incentives within Innovation Zones that promote the
5 purposes of this Act, and that, to the extent they include any
6 exemptions or reductions in regulatory standards or
7 requirements, outweigh the need or justification for the
8 existing rule.

9 (b) If any Agency adopts a rule pursuant to subsection (a)
10 of this Section affecting a rule contained on the list
11 published by the Department pursuant to Section 65, prior to
12 the completion of the rule making process for the Department's
13 rules under that Section, the Agency shall immediately transmit
14 a copy of its proposed rule to the Department, together with a
15 statement of reasons as to why the Department should defer to
16 the Agency's proposed rule. Agency rules adopted under
17 subsection (a) of this Section shall, however, be subject to
18 the exemption rules of the Department adopted under Section 65.

19 (c) Within Innovation Zones, the designating county or
20 municipality may modify all local ordinances and regulations
21 regarding (1) zoning; (2) licensing; (3) building codes,
22 excluding however, any regulations treating building defects;
23 and (4) rent control and price controls, except for the minimum
24 wage. Notwithstanding any shorter statute of limitation to the
25 contrary, actions against any contractor or architect who
26 designs, constructs, or rehabilitates a building or structure

1 in an Innovation Zone in accordance with local standards
2 specifically applicable within Zones that have been relaxed may
3 be commenced within 10 years from the time of beneficial
4 occupancy of the building or use of the structure.

5 Section 75. Powers and duties. The Department has the power
6 to:

7 (1) Provide loans from the funds appropriated to a
8 business undertaking a project and accept mortgages or
9 other evidences of indebtedness or security of such
10 business.

11 (2) Enter into agreements, accept funds or grants, and
12 cooperate with agencies of the federal government, units of
13 local government, and local regional economic development
14 corporations or organizations for the purposes of carrying
15 out this Act.

16 (3) Enter into contracts, letters of credit, or any
17 other agreements or contracts with financial institutions
18 necessary or desirable to carry out the purposes of this
19 Act. Any such agreement or contract may include, without
20 limitation, terms and provisions relating to a specific
21 project, such as loan documentation, review and approval
22 procedures, organization and servicing rights, default
23 conditions, and other program aspects.

24 (4) Fix, determine, charge, and collect any premiums,
25 fees, charges, costs and expenses, including application

1 fees, commitment fees, program fees, financing charges, or
2 publication fees in connection with its activities under
3 this Act.

4 (5) Establish application, notification, contract, and
5 other procedures, rules, or regulations deemed necessary
6 and appropriate.

7 (6) Subject to the provisions of any contract with
8 another person and consent to the modification or
9 restructuring of any loan agreement to which the Department
10 is a party.

11 (7) Take any actions that are necessary or appropriate
12 to protect the State's interest in the event of bankruptcy,
13 default, foreclosure, or noncompliance with the terms and
14 conditions of financial assistance or participation
15 provided under this Act, including the power to sell,
16 dispose, lease, or rent, upon terms and conditions
17 determined by the Director to be appropriate, real or
18 personal property that the Department may receive as a
19 result thereof.

20 (8) Acquire and accept by gift, grant, purchase, or
21 otherwise, but by condemnation, fee simple title, or such
22 lesser interest as may be desired, in land, to improve or
23 arrange for the improvement of that land for industrial or
24 commercial site development purposes, and to lease or
25 convey such land or interest in land so acquired and so
26 improved, including sale and conveyance subject to a

1 mortgage, for such price, upon such terms, and at such time
2 as the Department may determine. Prior to exercising his or
3 her authority under this subsection, the Director must find
4 that other means of financing and developing of any such
5 project are not reasonably available and that such action
6 is consistent with the purposes and policies of this Act.

7 (9) Exercise such other powers as are necessary or
8 incidental to the foregoing.

9 Section 80. Loans. Any loan made under this Act:

10 (1) May be made only if a participating lender, or
11 other funding source including the applicant, also
12 provides a portion of the financing with respect to the
13 project and only if the Department determines, on the basis
14 of all the information available to it, that the project
15 would not be undertaken in Illinois unless the loan is
16 provided. Financing from another funding source may be in
17 the form of a loan, letter of credit, guarantee, loan
18 participation, bond purchase, direct cash payment, or
19 other form approved by the Department.

20 (2) May finance no more than 25% of the total amount of
21 any single project and may only be approved for amounts not
22 to exceed \$2,000,000 for any single project, unless waived
23 by the Director upon a finding that a waiver is appropriate
24 to accomplish the purposes of this Act.

25 (3) Must be protected by adequate security

1 satisfactory to the Department to secure payment of the
2 loan agreement.

3 (4) Must be in any principal amount and form and
4 contain any terms and provisions with respect to property
5 insurance, repairs, alterations, payment of taxes and
6 assessments, delinquency charges, default remedies,
7 additional security, and other matters that the Department
8 determines is adequate to protect the public interest.

9 (5) Must include provisions to call the loan agreement
10 as due and payable if the project is not completed, if the
11 project fails to generate anticipated employment
12 opportunities, or if the business ceases to operate the
13 project.

14 (6) May be made only after the Department has
15 determined that the loan will cause a project to be
16 undertaken that has the potential to create substantial
17 employment in relation to the principal amount of the loan.

18 (7) May be made only with a business that has certified
19 the project is a new plant start-up or expansion and is not
20 a relocation of an existing business from another site in
21 Illinois unless that relocation results in substantial
22 employment growth.

23 Section 85. Loan applications.

24 (a) Applications for loans must be submitted to the
25 Department on forms and subject to filing fees prescribed by

1 the Department. The Department is not prohibited from
2 soliciting applications. The Department shall conduct any
3 investigation and obtain any information concerning the
4 business as is necessary and diligent to complete a loan
5 agreement. The Department's investigation must include facts
6 about the company's history, job opportunities, stability of
7 employment, past and present condition and structure, actual
8 and pro-forma income statements, present and future market
9 prospects, management qualifications, and any other aspect
10 material to the financing request.

11 (b) After consideration of this information and after any
12 other action that is deemed appropriate, the Department shall
13 approve or deny the application. If the Department approves the
14 application, its approval must specify the amount of funds to
15 be provided and the loan agreement provisions. The Department
16 shall promptly notify the business of its approval or denial of
17 the application.

18 Section 90. Innovation Zone Loan Fund.

19 (a) The Innovation Zone Loan Fund is created as a special
20 fund in the State treasury. The Department is authorized to
21 make loans from the Fund for the purposes established under
22 this Act. The State Treasurer has custody of the Fund and may
23 invest in accordance with his or her statutory authority and
24 investment policy. The purpose of the Fund is to offer loans to
25 finance firms considering the location of a proposed business

1 in a certified Innovation Zone and to provide financing to
2 carry out the purposes and provisions of item (8) of Section 75
3 of this Act. This financing must be in the form of a loan,
4 mortgage, or other debt instrument. All loans must be
5 conditioned on the project receiving financing from
6 participating lenders or other sources. Loan proceeds must be
7 available for project costs associated with an expansion of
8 business capacity and employment, except for debt refinancing.
9 New ventures shall be considered only if the entity is
10 protected with adequate security with regard to its financing
11 and operation. The limitations and conditions with respect to
12 the use of this Fund do not apply in carrying out the purposes
13 and provisions of item (8) of Section 75 of this Act.

14 (b) Deposits in the Fund include, but are not limited to:

15 (1) All receipts, including principal and interest
16 payments, royalties or other payments, from any loan made
17 by the Department under this Law.

18 (2) All proceeds of assets of whatever nature received
19 by the Department as a result of default and delinquency
20 with respect to loans made under this Law, including
21 proceeds from the sale, disposal, lease or rental of real
22 or personal property which the Department may receive as a
23 result thereof.

24 (3) Any appropriations, grants or gifts made to the
25 Fund.

26 (4) Any income received from interest on investments of

1 amounts from the Fund not currently needed to meet the
2 obligations of the Fund.

3 Section 95. Construction. Nothing in this Act may be
4 construed as creating any rights of a competitor of an approved
5 borrower or any applicant whose application is denied by the
6 Department to challenge any application which is accepted by
7 the Department and any loan or other agreement executed in
8 connection therewith.

9 Section 100. Confidentiality. Any documentary materials or
10 data made or received by any member, agent, or employee of the
11 Department is deemed to be confidential and is not a public
12 record to the extent that such materials or data consist of
13 trade secrets, commercial, or financial information regarding
14 the operation of any business conducted by an applicant for or
15 recipient of any form of assistance under this Law or such
16 information regarding the competitive position of such
17 business in a particular field of endeavor.

18 Section 105. Report. On January 1 of each year, the
19 Department shall report on its operation of the Fund for the
20 preceding fiscal year to the Governor, the General Assembly,
21 and the Illinois Innovation Council.

22 Section 110. Federal programs. The Department is

1 authorized to accept and expend federal moneys pursuant to this
2 Law except that the terms and conditions hereunder that are
3 inconsistent with or prohibited by federal authorization under
4 which such moneys are made available do apply with respect to
5 the expenditure of such moneys.

6 Section 115. Illinois Innovation Council.

7 (a) The Illinois Innovation Council, referred to in this
8 Act as the Council, is created to promote cooperation and
9 collaboration among the designated Innovation Zones within the
10 State. The Department shall provide support and assistance to
11 the members of the Council. The Council is charged with the
12 responsibility of assisting the Department with creating a
13 long-term strategy based on innovation, designed to foster the
14 creation and growth of technology-based businesses, encourage
15 entrepreneurship and new job creation and investment, maximize
16 the State's technology-based assets and infrastructure, and
17 support public-private partnerships that can attract and
18 support these targeted job creation and investment activities.

19 (b) The Council shall be composed of the following persons:

20 (1) One representative of each Innovation Zone that has
21 been designated by the Department, selected by the Zone
22 Administrator of each respective Zone.

23 (2) One representative of each public and private
24 institution of higher education that has executed a formal
25 agreement to participate in a designated Zone or Zones,

1 selected by each institution of higher education.

2 (3) One representative of each national laboratory
3 that conducts research that can be commercialized and that
4 has executed a formal agreement to participate in a
5 designated Zone or Zones, selected by the national
6 laboratory.

7 (4) One representative of the Department, selected by
8 the Department, who shall serve as an ex officio member of
9 the Council.

10 (c) The Council has the following responsibilities and
11 powers:

12 (1) to assist the Department's efforts to identify and
13 analyze key innovation assets in the State to determine
14 their potential for job and wealth creation;

15 (2) to propose an appropriate State role in
16 technology-based economic development, technology
17 commercialization, entrepreneurial development, venture
18 capital formation, and research and development;

19 (3) to evaluate the performance of existing State
20 technology-based economic development efforts for
21 consistency, effectiveness and coordination, as well as
22 for their effect on fostering innovation and creating new
23 technology jobs, and to evaluate the long-term benefits to
24 the State of these efforts;

25 (4) to assist the Department's efforts to develop
26 geographic Zones that have unique development

1 opportunities and incentives for innovation and the
2 creation of technology jobs;

3 (5) to assist the Department's efforts to target
4 technology-based industry cluster development in the
5 State;

6 (6) to facilitate the communication, cooperation, and
7 collaboration among the State's designated Innovation
8 Zones;

9 (7) to make specific recommendations to the
10 Department, the Governor, and the General Assembly on new
11 programs that would support innovation, technology job
12 creation, and business development in designated Zones,
13 legal or administrative rules that are hindering
14 development in the Zones, and any additional measures that
15 the State could undertake to support the development of the
16 State's innovation infrastructure and assets that support
17 the commercialization of research and new job creation; and

18 (8) to establish a Business Advisory Subcommittee
19 comprised of representatives of business enterprises
20 located in designated Innovation Zones to ensure that
21 business input is provided to the Council in fulfilling its
22 responsibilities and powers and to provide expertise on the
23 impact of policies and regulations, obstacles to
24 development, market and industry trends, and other topics
25 that directly or indirectly impact the Zones' ability to
26 attract and retain technology-based business enterprises

1 and entrepreneurs.

2 (d) The Council shall meet quarterly or at the call of a
3 majority of the members or at the request of the Department.
4 Members shall serve without compensation but may be reimbursed
5 for expenses.

6 Section 900. The State Finance Act is amended by adding
7 Section 5.777 as follows:

8 (30 ILCS 105/5.777 new)

9 Sec. 5.777. The Innovation Zone Loan Fund.

10 Section 905. The Illinois Income Tax Act is amended by
11 changing Section 201 and by adding Section 219 as follows:

12 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

13 Sec. 201. Tax Imposed.

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

21 (b) Rates. The tax imposed by subsection (a) of this
22 Section shall be determined as follows, except as adjusted by

1 subsection (d-1):

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

6 (2) In the case of an individual, trust or estate, for
7 taxable years beginning prior to July 1, 1989 and ending
8 after June 30, 1989, an amount equal to the sum of (i) 2
9 1/2% of the taxpayer's net income for the period prior to
10 July 1, 1989, as calculated under Section 202.3, and (ii)
11 3% of the taxpayer's net income for the period after June
12 30, 1989, as calculated under Section 202.3.

13 (3) In the case of an individual, trust or estate, for
14 taxable years beginning after June 30, 1989, an amount
15 equal to 3% of the taxpayer's net income for the taxable
16 year.

17 (4) (Blank).

18 (5) (Blank).

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

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

1 taxpayer's net income for the period after June 30, 1989,
2 as calculated under Section 202.3.

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

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

19 (d) Additional Personal Property Tax Replacement Income
20 Tax Rates. The personal property tax replacement income tax
21 imposed by this subsection and subsection (c) of this Section
22 in the case of a corporation, other than a Subchapter S
23 corporation and except as adjusted by subsection (d-1), shall
24 be an additional amount equal to 2.85% of such taxpayer's net
25 income for the taxable year, except that beginning on January
26 1, 1981, and thereafter, the rate of 2.85% specified in this

1 subsection shall be reduced to 2.5%, and in the case of a
2 partnership, trust or a Subchapter S corporation shall be an
3 additional amount equal to 1.5% of such taxpayer's net income
4 for the taxable year.

5 (d-1) Rate reduction for certain foreign insurers. In the
6 case of a foreign insurer, as defined by Section 35A-5 of the
7 Illinois Insurance Code, whose state or country of domicile
8 imposes on insurers domiciled in Illinois a retaliatory tax
9 (excluding any insurer whose premiums from reinsurance assumed
10 are 50% or more of its total insurance premiums as determined
11 under paragraph (2) of subsection (b) of Section 304, except
12 that for purposes of this determination premiums from
13 reinsurance do not include premiums from inter-affiliate
14 reinsurance arrangements), beginning with taxable years ending
15 on or after December 31, 1999, the sum of the rates of tax
16 imposed by subsections (b) and (d) shall be reduced (but not
17 increased) to the rate at which the total amount of tax imposed
18 under this Act, net of all credits allowed under this Act,
19 shall equal (i) the total amount of tax that would be imposed
20 on the foreign insurer's net income allocable to Illinois for
21 the taxable year by such foreign insurer's state or country of
22 domicile if that net income were subject to all income taxes
23 and taxes measured by net income imposed by such foreign
24 insurer's state or country of domicile, net of all credits
25 allowed or (ii) a rate of zero if no such tax is imposed on such
26 income by the foreign insurer's state of domicile. For the

1 purposes of this subsection (d-1), an inter-affiliate includes
2 a mutual insurer under common management.

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

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

9 (B) the privilege tax imposed by Section 409 of the
10 Illinois Insurance Code, the fire insurance company
11 tax imposed by Section 12 of the Fire Investigation
12 Act, and the fire department taxes imposed under
13 Section 11-10-1 of the Illinois Municipal Code,
14 equals 1.25% for taxable years ending prior to December 31,
15 2003, or 1.75% for taxable years ending on or after
16 December 31, 2003, of the net taxable premiums written for
17 the taxable year, as described by subsection (1) of Section
18 409 of the Illinois Insurance Code. This paragraph will in
19 no event increase the rates imposed under subsections (b)
20 and (d).

21 (2) Any reduction in the rates of tax imposed by this
22 subsection shall be applied first against the rates imposed
23 by subsection (b) and only after the tax imposed by
24 subsection (a) net of all credits allowed under this
25 Section other than the credit allowed under subsection (i)
26 has been reduced to zero, against the rates imposed by

1 subsection (d).

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

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

7 (1) A taxpayer shall be allowed a credit equal to .5%
8 of the basis of qualified property placed in service during
9 the taxable year, provided such property is placed in
10 service on or after July 1, 1984. There shall be allowed an
11 additional credit equal to .5% of the basis of qualified
12 property placed in service during the taxable year,
13 provided such property is placed in service on or after
14 July 1, 1986, and the taxpayer's base employment within
15 Illinois has increased by 1% or more over the preceding
16 year as determined by the taxpayer's employment records
17 filed with the Illinois Department of Employment Security.
18 Taxpayers who are new to Illinois shall be deemed to have
19 met the 1% growth in base employment for the first year in
20 which they file employment records with the Illinois
21 Department of Employment Security. The provisions added to
22 this Section by Public Act 85-1200 (and restored by Public
23 Act 87-895) shall be construed as declaratory of existing
24 law and not as a new enactment. If, in any year, the
25 increase in base employment within Illinois over the
26 preceding year is less than 1%, the additional credit shall

1 be limited to that percentage times a fraction, the
2 numerator of which is .5% and the denominator of which is
3 1%, but shall not exceed .5%. The investment credit shall
4 not be allowed to the extent that it would reduce a
5 taxpayer's liability in any tax year below zero, nor may
6 any credit for qualified property be allowed for any year
7 other than the year in which the property was placed in
8 service in Illinois. For tax years ending on or after
9 December 31, 1987, and on or before December 31, 1988, the
10 credit shall be allowed for the tax year in which the
11 property is placed in service, or, if the amount of the
12 credit exceeds the tax liability for that year, whether it
13 exceeds the original liability or the liability as later
14 amended, such excess may be carried forward and applied to
15 the tax liability of the 5 taxable years following the
16 excess credit years if the taxpayer (i) makes investments
17 which cause the creation of a minimum of 2,000 full-time
18 equivalent jobs in Illinois, (ii) is located in an
19 enterprise zone established pursuant to the Illinois
20 Enterprise Zone Act, ~~and~~ (iii) is certified by the
21 Department of Commerce and Community Affairs (now
22 Department of Commerce and Economic Opportunity) as
23 complying with the requirements specified in clause (i) and
24 (ii) by July 1, 1986, or (iv) is located in an Innovation
25 Zone established pursuant to the Illinois Innovation Zone
26 Act. The Department of Commerce and Community Affairs (now

1 Department of Commerce and Economic Opportunity) shall
2 notify the Department of Revenue of all such certifications
3 immediately. For tax years ending after December 31, 1988,
4 the credit shall be allowed for the tax year in which the
5 property is placed in service, or, if the amount of the
6 credit exceeds the tax liability for that year, whether it
7 exceeds the original liability or the liability as later
8 amended, such excess may be carried forward and applied to
9 the tax liability of the 5 taxable years following the
10 excess credit years. The credit shall be applied to the
11 earliest year for which there is a liability. If there is
12 credit from more than one tax year that is available to
13 offset a liability, earlier credit shall be applied first.

14 (2) The term "qualified property" means property
15 which:

16 (A) is tangible, whether new or used, including
17 buildings and structural components of buildings and
18 signs that are real property, but not including land or
19 improvements to real property that are not a structural
20 component of a building such as landscaping, sewer
21 lines, local access roads, fencing, parking lots, and
22 other appurtenances;

23 (B) is depreciable pursuant to Section 167 of the
24 Internal Revenue Code, except that "3-year property"
25 as defined in Section 168(c)(2)(A) of that Code is not
26 eligible for the credit provided by this subsection

1 (e);

2 (C) is acquired by purchase as defined in Section
3 179(d) of the Internal Revenue Code;

4 (D) is used in Illinois by a taxpayer who is
5 primarily engaged in manufacturing, or in mining coal
6 or fluorite, or in retailing, or in the provision of
7 advanced healthcare services or treatments, or was
8 placed in service on or after July 1, 2006 in a River
9 Edge Redevelopment Zone established pursuant to the
10 River Edge Redevelopment Zone Act, or was placed in
11 service on or after July 1, 2010 in an Innovation Zone
12 established pursuant to the Illinois Innovation Zone
13 Act; and

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

18 (3) For purposes of this subsection (e),
19 "manufacturing" means the material staging and production
20 of tangible personal property by procedures commonly
21 regarded as manufacturing, processing, fabrication, or
22 assembling which changes some existing material into new
23 shapes, new qualities, or new combinations. For purposes of
24 this subsection (e) the term "mining" shall have the same
25 meaning as the term "mining" in Section 613(c) of the
26 Internal Revenue Code. For purposes of this subsection (e),

1 the term "retailing" means the sale of tangible personal
2 property for use or consumption and not for resale, or
3 services rendered in conjunction with the sale of tangible
4 personal property for use or consumption and not for
5 resale. For purposes of this subsection (e), "tangible
6 personal property" has the same meaning as when that term
7 is used in the Retailers' Occupation Tax Act, and, for
8 taxable years ending after December 31, 2008, does not
9 include the generation, transmission, or distribution of
10 electricity. For the purposes of this subsection (e),
11 "advanced healthcare services or treatments" means the
12 direct treatment of patients using advanced medical
13 equipment that is located in a facility in an Innovation
14 Zone that conducts research and development activities
15 with a State university utilizing the advanced medical
16 equipment.

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

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

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

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

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

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

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

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

26 (f) Investment credit; Enterprise Zone; River Edge

1 Redevelopment Zone; Innovation Zone.

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

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

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

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

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 (f);

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

22 (D) is used in the Enterprise Zone or River Edge
23 Redevelopment Zone or Innovation Zone by the taxpayer;
24 and

25 (E) has not been previously used in Illinois in
26 such a manner and by such a person as would qualify for

1 the credit provided by this subsection (f) or
2 subsection (e).

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

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

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

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

1 allowed. For the purposes of this paragraph (6), a
2 reduction of the basis of qualified property resulting from
3 a redetermination of the purchase price shall be deemed a
4 disposition of qualified property to the extent of such
5 reduction.

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

23 (8) There shall be allowed an additional credit equal
24 to 0.5% of the basis of qualified property placed in
25 service during the taxable year in an Innovation Zone,
26 provided such property is placed in service on or after

1 July 1, 2010, and the taxpayer's base employment within
2 Illinois has increased by 1% or more over the preceding
3 year as determined by the taxpayer's employment records
4 filed with the Illinois Department of Employment Security.
5 Taxpayers who are new to Illinois shall be deemed to have
6 met the 1% growth in base employment for the first year in
7 which they file employment records with the Illinois
8 Department of Employment Security. If, in any year, the
9 increase in base employment within Illinois over the
10 preceding year is less than 1%, the additional credit shall
11 be limited to that percentage times a fraction, the
12 numerator of which is 0.5% and the denominator of which is
13 1%, but shall not exceed 0.5%.

14 (g) Jobs Tax Credit; Enterprise Zone, River Edge
15 Redevelopment Zone, ~~and~~ Foreign Trade Zone or Sub-Zone, and
16 Innovation Zone.

17 (1) A taxpayer conducting a trade or business in an
18 enterprise zone or an Innovation Zone or a High Impact
19 Business designated by the Department of Commerce and
20 Economic Opportunity or for taxable years ending on or
21 after December 31, 2006, in a River Edge Redevelopment Zone
22 conducting a trade or business in a federally designated
23 Foreign Trade Zone or Sub-Zone shall be allowed a credit
24 against the tax imposed by subsections (a) and (b) of this
25 Section in the amount of \$500 per eligible employee hired
26 to work in the zone during the taxable year.

1 (2) To qualify for the credit:

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

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

16 (C) the eligible employees must be employed 180
17 consecutive days in order to be deemed hired for
18 purposes of this subsection.

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

20 (A) Certified by the Department of Commerce and
21 Economic Opportunity as "eligible for services"
22 pursuant to regulations promulgated in accordance with
23 Title II of the Job Training Partnership Act, Training
24 Services for the Disadvantaged or Title III of the Job
25 Training Partnership Act, Employment and Training
26 Assistance for Dislocated Workers Program.

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

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

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

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

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

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

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

9 (h) Investment credit; High Impact Business.

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

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

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

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

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

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

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

10 (D) is not eligible for the Enterprise Zone
11 Investment Credit provided by subsection (f) of this
12 Section.

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

16 (4) If the basis of the property for federal income tax
17 depreciation purposes is increased after it has been placed
18 in service in a federally designated Foreign Trade Zone or
19 Sub-Zone located in Illinois by the taxpayer, the amount of
20 such increase shall be deemed property placed in service on
21 the date of such increase in basis.

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

24 (6) If during any taxable year ending on or before
25 December 31, 1996, any property ceases to be qualified
26 property in the hands of the taxpayer within 48 months

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

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

26 (i) Credit for Personal Property Tax Replacement Income

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

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

24 If, during any taxable year ending on or after December 31,
25 1986, the tax imposed by subsections (c) and (d) of this
26 Section for which a taxpayer has claimed a credit under this

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

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

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

11 (k) Research and development credit.

12 For tax years ending after July 1, 1990 and prior to
13 December 31, 2003, and beginning again for tax years ending on
14 or after December 31, 2004, a taxpayer shall be allowed a
15 credit against the tax imposed by subsections (a) and (b) of
16 this Section for increasing research activities in this State.
17 The credit allowed against the tax imposed by subsections (a)
18 and (b) shall be equal to 6 1/2% of the qualifying expenditures
19 for increasing research activities in this State. For partners,
20 shareholders of subchapter S corporations, and owners of
21 limited liability companies, if the liability company is
22 treated as a partnership for purposes of federal and State
23 income taxation, there shall be allowed a credit under this
24 subsection to be determined in accordance with the
25 determination of income and distributive share of income under
26 Sections 702 and 704 and subchapter S of the Internal Revenue

1 Code.

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

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

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

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

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

12 For tax years ending on or after December 31, 2010, an
13 Innovation Zone, as that term is defined in the Illinois
14 Innovation Zone Act, qualifies for a credit under this
15 subsection (k) for (i) research conducted after the beginning
16 of commercial production; (ii) research adapting an existing
17 product or process to a particular customer's need; (iii)
18 surveys or studies; (iv) research in social sciences, arts, or
19 humanities; or (v) research funded by another person or
20 government entity.

21 (1) Environmental Remediation Tax Credit.

22 (i) For tax years ending after December 31, 1997 and on
23 or before December 31, 2001, a taxpayer shall be allowed a
24 credit against the tax imposed by subsections (a) and (b)
25 of this Section for certain amounts paid for unreimbursed
26 eligible remediation costs, as specified in this

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

1 Section 267 of the Internal Revenue Code by virtue of being
2 a related taxpayer, as well as any of its partners. The
3 credit allowed against the tax imposed by subsections (a)
4 and (b) shall be equal to 25% of the unreimbursed eligible
5 remediation costs in excess of \$100,000 per site, except
6 that the \$100,000 threshold shall not apply to any site
7 contained in an enterprise zone as determined by the
8 Department of Commerce and Community Affairs (now
9 Department of Commerce and Economic Opportunity). The
10 total credit allowed shall not exceed \$40,000 per year with
11 a maximum total of \$150,000 per site. For partners and
12 shareholders of subchapter S corporations, there shall be
13 allowed a credit under this subsection to be determined in
14 accordance with the determination of income and
15 distributive share of income under Sections 702 and 704 and
16 subchapter S of the Internal Revenue Code.

17 (ii) A credit allowed under this subsection that is
18 unused in the year the credit is earned may be carried
19 forward to each of the 5 taxable years following the year
20 for which the credit is first earned until it is used. The
21 term "unused credit" does not include any amounts of
22 unreimbursed eligible remediation costs in excess of the
23 maximum credit per site authorized under paragraph (i).
24 This credit shall be applied first to the earliest year for
25 which there is a liability. If there is a credit under this
26 subsection from more than one tax year that is available to

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

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

19 (m) Education expense credit. Beginning with tax years
20 ending after December 31, 1999, a taxpayer who is the custodian
21 of one or more qualifying pupils shall be allowed a credit
22 against the tax imposed by subsections (a) and (b) of this
23 Section for qualified education expenses incurred on behalf of
24 the qualifying pupils. The credit shall be equal to 25% of
25 qualified education expenses, but in no event may the total
26 credit under this subsection claimed by a family that is the

1 custodian of qualifying pupils exceed \$500. In no event shall a
2 credit under this subsection reduce the taxpayer's liability
3 under this Act to less than zero. This subsection is exempt
4 from the provisions of Section 250 of this Act.

5 For purposes of this subsection:

6 "Qualifying pupils" means individuals who (i) are
7 residents of the State of Illinois, (ii) are under the age of
8 21 at the close of the school year for which a credit is
9 sought, and (iii) during the school year for which a credit is
10 sought were full-time pupils enrolled in a kindergarten through
11 twelfth grade education program at any school, as defined in
12 this subsection.

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

17 "School" means any public or nonpublic elementary or
18 secondary school in Illinois that is in compliance with Title
19 VI of the Civil Rights Act of 1964 and attendance at which
20 satisfies the requirements of Section 26-1 of the School Code,
21 except that nothing shall be construed to require a child to
22 attend any particular public or nonpublic school to qualify for
23 the credit under this Section.

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

1 (n) River Edge Redevelopment Zone site remediation tax
2 credit.

3 (i) For tax years ending on or after December 31, 2006,
4 a taxpayer shall be allowed a credit against the tax
5 imposed by subsections (a) and (b) of this Section for
6 certain amounts paid for unreimbursed eligible remediation
7 costs, as specified in this subsection. For purposes of
8 this Section, "unreimbursed eligible remediation costs"
9 means costs approved by the Illinois Environmental
10 Protection Agency ("Agency") under Section 58.14a of the
11 Environmental Protection Act that were paid in performing
12 environmental remediation at a site within a River Edge
13 Redevelopment Zone for which a No Further Remediation
14 Letter was issued by the Agency and recorded under Section
15 58.10 of the Environmental Protection Act. The credit must
16 be claimed for the taxable year in which Agency approval of
17 the eligible remediation costs is granted. The credit is
18 not available to any taxpayer if the taxpayer or any
19 related party caused or contributed to, in any material
20 respect, a release of regulated substances on, in, or under
21 the site that was identified and addressed by the remedial
22 action pursuant to the Site Remediation Program of the
23 Environmental Protection Act. Determinations as to credit
24 availability for purposes of this Section shall be made
25 consistent with rules adopted by the Pollution Control
26 Board pursuant to the Illinois Administrative Procedure

1 Act for the administration and enforcement of Section 58.9
2 of the Environmental Protection Act. For purposes of this
3 Section, "taxpayer" includes a person whose tax attributes
4 the taxpayer has succeeded to under Section 381 of the
5 Internal Revenue Code and "related party" includes the
6 persons disallowed a deduction for losses by paragraphs
7 (b), (c), and (f) (1) of Section 267 of the Internal Revenue
8 Code by virtue of being a related taxpayer, as well as any
9 of its partners. The credit allowed against the tax imposed
10 by subsections (a) and (b) shall be equal to 25% of the
11 unreimbursed eligible remediation costs in excess of
12 \$100,000 per site.

13 (ii) A credit allowed under this subsection that is
14 unused in the year the credit is earned may be carried
15 forward to each of the 5 taxable years following the year
16 for which the credit is first earned until it is used. This
17 credit shall be applied first to the earliest year for
18 which there is a liability. If there is a credit under this
19 subsection from more than one tax year that is available to
20 offset a liability, the earliest credit arising under this
21 subsection shall be applied first. A credit allowed under
22 this subsection may be sold to a buyer as part of a sale of
23 all or part of the remediation site for which the credit
24 was granted. The purchaser of a remediation site and the
25 tax credit shall succeed to the unused credit and remaining
26 carry-forward period of the seller. To perfect the

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

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

12 (iv) This subsection is exempt from the provisions of
13 Section 250.

14 (Source: P.A. 95-454, eff. 8-27-07; 96-115, eff. 7-31-09;
15 96-116, eff. 7-31-09; revised 8-20-09.)

16 (35 ILCS 5/219 new)

17 Sec. 219. Innovation Zone investment tax credit.

18 (a) Any taxpayer primarily engaged in technology-based
19 activities and innovation within a designated Innovation Zone
20 that pays its employees that work a minimum of 30 hours per
21 week within the State a median annual wage equal or greater
22 than 125% of the average annual wage paid by all employers in
23 the State to employees that work a minimum of 30 hours per week
24 within the State and that provides benefits typical to the
25 technology industry, is allowed a credit of 10% of the cost or

1 other basis for federal tax purposes of tangible personal
2 property and other tangible property, including buildings and
3 structural components of buildings acquired, constructed,
4 reconstructed, or leased with situs in Illinois and principally
5 used in technology-based activities and processes after
6 December 31, 2010.

7 For the purposes of this subsection (a):

8 "Employees" means those that work a minimum of 30 hours per
9 week within the State with benefits typical to the
10 technology-based industry.

11 "Principally engaged in technology-based activities and
12 processes" means the company's sales of technology-based
13 products, services or costs related to the development of
14 technology-based products and services constitute at least 50%
15 of its overall receipts or its overall costs respectively.

16 "Tangible personal property" and "other tangible property"
17 includes buildings and structural components of buildings
18 acquired, constructed, reconstructed, or leased with situs in
19 Illinois and principally used in the production of
20 technology-based products or services:

21 (1) is depreciable pursuant to 26 U.S.C. 167.

22 (2) has a useful life of 4 years or more, and

23 (3) is acquired by purchase as defined in 26 U.S.C.

24 179(d), or

25 (4) is acquired by lease based on the fair market value
26 of the property at the inception of the lease times the

1 portion of the depreciable life of the property represented
2 by the term of the lease, excluding renewal options, for a
3 term of 20 years; and

4 (5) does not include vehicles or furniture.

5 "Wages" means all remuneration paid for personal services,
6 including commissions and bonuses and the cash value of all
7 remuneration paid in any medium other than cash and all other
8 remuneration which is defined as taxable wages by the Internal
9 Revenue Service, as certified by the department of labor and
10 training.

11 (b) Except as provided under subsection (c) of this
12 Section, if the amount of credit allowable for any taxable year
13 is less than the amount of credit available to the taxpayer,
14 then any amount of credit not used in the taxable year will be
15 available the following year or years not to exceed 15 years
16 and may be deducted from the taxpayer's tax for the year or
17 years.

18 (c) The credit may be extended beyond 7 years only in a
19 year in which:

20 (1) the company maintains an average quarterly number
21 of employees for each calendar year that is 9.5% greater
22 than average quarter number of employees in the 4th year of
23 the initial credit;

24 (2) the company's average quarterly medium wage is not
25 less than the company's average of its quarterly median
26 wage for the 3 previous calendar years;

1 (3) the company pays its employees a median annual wage
2 equal or greater than 125% of the average annual wage paid
3 by all employers in the State; and

4 (4) the Department certifies to the Department of
5 Revenue that the criteria in items (1) through (3) of this
6 subsection (c) have been met.

7 Unused credits after the 7th year are forfeited permanently if
8 any of these wage and employment criteria are unmet after the
9 7th year.

10 The taxpayer may determine the order in which the credits
11 generated in different tax years are used, provided that
12 credits available for more than 7 years may not reduce current
13 year liability by more than 75%.

14 Section 910. The Economic Development for a Growing Economy
15 Tax Credit Act is amended by adding Section 5-23 as follows:

16 (35 ILCS 10/5-23 new)

17 Sec. 5-23. Economic development for a growing economy tax
18 credit program.

19 (a) Notwithstanding any other provision of law, any
20 taxpayer proposing a project located or planned to be located
21 in Illinois may enter into an agreement with the Department
22 under Section 5-50 of this Act, by formal written letter of
23 request or by formal application to the Department, in which
24 the applicant states its intent to make at least a specified

1 level of investment and intends to hire or retain a specified
2 number of full-time employees at an Innovation Zone, as that
3 term is defined in the Illinois Innovation Zone Act. As
4 circumstances require, the Department may require a formal
5 application from an applicant and a formal letter of request
6 for assistance.

7 (b) In order to qualify for Credits under this Act, an
8 applicant's project must:

9 (1) be situated in an Innovation Zone, as that term is
10 defined in the Illinois Innovation Zone Act; and

11 (2) involve an investment of at least \$1,000,000 in
12 capital improvements to be placed in service and to employ
13 at least 5 new employees within the State as a direct
14 result of the project.

15 (c) After receipt of an application, the Department may
16 enter into an agreement with the applicant if the application
17 is reviewed and accepted by the Business Investment Committee
18 established in Section 5-25. The Department shall give priority
19 consideration in approving Economic Development for a Growing
20 Economy tax credits for all applications meeting the criteria
21 set forth above which are located in an Innovation Zone.

22 Section 915. The Use Tax Act is amended by changing Section
23 3-5 as follows:

24 (35 ILCS 105/3-5)

1 (Text of Section before amendment by P.A. 96-339)

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 not-for-profit
12 Illinois county fair association for use in conducting,
13 operating, or promoting the county fair.

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

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

20 (6) Until July 1, 2003 and beginning again on September 1,
21 2004 through August 30, 2014, graphic arts machinery and
22 equipment, including repair and replacement parts, both new and
23 used, and including that manufactured on special order,
24 certified by the purchaser to be used primarily for graphic
25 arts production, and including machinery and equipment
26 purchased for lease. Equipment includes chemicals or chemicals

1 acting as catalysts but only if the chemicals or chemicals
2 acting as catalysts effect a direct and immediate change upon a
3 graphic arts product.

4 (7) Farm chemicals.

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

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

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

23 (11) Farm machinery and equipment, both new and used,
24 including that manufactured on special order, certified by the
25 purchaser to be used primarily for production agriculture or
26 State or federal agricultural programs, including individual

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

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

24 Farm machinery and equipment also includes computers,
25 sensors, software, and related equipment used primarily in the
26 computer-assisted operation of production agriculture

1 facilities, equipment, and activities such as, but not limited
2 to, the collection, monitoring, and correlation of animal and
3 crop data for the purpose of formulating animal diets and
4 agricultural chemicals. This item (11) is exempt from the
5 provisions of Section 3-90.

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

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

21 (14) Until July 1, 2003, oil field exploration, drilling,
22 and production equipment, including (i) rigs and parts of rigs,
23 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
24 tubular goods, including casing and drill strings, (iii) pumps
25 and pump-jack units, (iv) storage tanks and flow lines, (v) any
26 individual replacement part for oil field exploration,

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

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

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

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

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

1 person, or whether that sale or lease is made apart from or as
2 an incident to the seller's engaging in the service occupation
3 of producing machines, tools, dies, jigs, patterns, gauges, or
4 other similar items of no commercial value on special order for
5 a particular purchaser.

6 (19) Personal property delivered to a purchaser or
7 purchaser's donee inside Illinois when the purchase order for
8 that personal property was received by a florist located
9 outside Illinois who has a florist located inside Illinois
10 deliver the personal property.

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

13 (21) Horses, or interests in horses, registered with and
14 meeting the requirements of any of the Arabian Horse Club
15 Registry of America, Appaloosa Horse Club, American Quarter
16 Horse Association, United States Trotting Association, or
17 Jockey Club, as appropriate, used for purposes of breeding or
18 racing for prizes. This item (21) is exempt from the provisions
19 of Section 3-90, and the exemption provided for under this item
20 (21) applies for all periods beginning May 30, 1995, but no
21 claim for credit or refund is allowed on or after January 1,
22 2008 for such taxes paid during the period beginning May 30,
23 2000 and ending on January 1, 2008.

24 (22) 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

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

21 (23) Personal property purchased by a lessor who leases the
22 property, under a lease of one year or longer executed or in
23 effect at the time the lessor would otherwise be subject to the
24 tax imposed by this Act, to a governmental body that has been
25 issued an active sales tax exemption identification number by
26 the Department under Section 1g of the Retailers' Occupation

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

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

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

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

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

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

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

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

23 (29) Beginning January 1, 2000 and through December 31,
24 2001, new or used automatic vending machines that prepare and
25 serve hot food and beverages, including coffee, soup, and other
26 items, and replacement parts for these machines. Beginning

1 January 1, 2002 and through June 30, 2003, machines and parts
2 for machines used in commercial, coin-operated amusement and
3 vending business if a use or occupation tax is paid on the
4 gross receipts derived from the use of the commercial,
5 coin-operated amusement and vending machines. This paragraph
6 is exempt from the provisions of Section 3-90.

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

18 (31) Beginning on the effective date of this amendatory Act
19 of the 92nd General Assembly, computers and communications
20 equipment utilized for any hospital purpose and equipment used
21 in the diagnosis, analysis, or treatment of hospital patients
22 purchased by a lessor who leases the equipment, under a lease
23 of one year or longer executed or in effect at the time the
24 lessor would otherwise be subject to the tax imposed by this
25 Act, to a hospital that has been issued an active tax exemption
26 identification number by the Department under Section 1g of the

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

17 (32) Beginning on the effective date of this amendatory Act
18 of the 92nd General Assembly, personal property purchased by a
19 lessor who leases the property, under a lease of one year or
20 longer executed or in effect at the time the lessor would
21 otherwise be subject to the tax imposed by this Act, to a
22 governmental body that has been issued an active sales tax
23 exemption identification number by the Department under
24 Section 1g of the Retailers' Occupation Tax Act. If the
25 property is leased in a manner that does not qualify for this
26 exemption or used in any other nonexempt manner, the lessor

1 shall be liable for the tax imposed under this Act or the
2 Service Use Tax Act, as the case may be, based on the fair
3 market value of the property at the time the nonqualifying use
4 occurs. No lessor shall collect or attempt to collect an amount
5 (however designated) that purports to reimburse that lessor for
6 the tax imposed by this Act or the Service Use Tax Act, as the
7 case may be, if the tax has not been paid by the lessor. If a
8 lessor 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 to
12 pay that amount to the Department. This paragraph is exempt
13 from the provisions of Section 3-90.

14 (33) On and after July 1, 2003 and through June 30, 2004,
15 the use in this State of motor vehicles of the second division
16 with a gross vehicle weight in excess of 8,000 pounds and that
17 are subject to the commercial distribution fee imposed under
18 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July
19 1, 2004 and through June 30, 2005, the use in this State of
20 motor vehicles of the second division: (i) with a gross vehicle
21 weight rating in excess of 8,000 pounds; (ii) that are subject
22 to the commercial distribution fee imposed under Section
23 3-815.1 of the Illinois Vehicle Code; and (iii) that are
24 primarily used for commercial purposes. Through June 30, 2005,
25 this exemption applies to repair and replacement parts added
26 after the initial purchase of such a motor vehicle if that

1 motor vehicle is used in a manner that would qualify for the
2 rolling stock exemption otherwise provided for in this Act. For
3 purposes of this paragraph, the term "used for commercial
4 purposes" means the transportation of persons or property in
5 furtherance of any commercial or industrial enterprise,
6 whether for-hire or not.

7 (34) Beginning January 1, 2008, tangible personal property
8 used in the construction or maintenance of a community water
9 supply, as defined under Section 3.145 of the Environmental
10 Protection Act, that is operated by a not-for-profit
11 corporation that holds a valid water supply permit issued under
12 Title IV of the Environmental Protection Act. This paragraph is
13 exempt from the provisions of Section 3-90.

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

1 lubricants, cleaning solution, latex gloves, and protective
2 films. This exemption applies only to those organizations that
3 (i) hold an Air Agency Certificate and are empowered to operate
4 an approved repair station by the Federal Aviation
5 Administration, (ii) have a Class IV Rating, and (iii) conduct
6 operations in accordance with Part 145 of the Federal Aviation
7 Regulations. The exemption does not include aircraft operated
8 by a commercial air carrier providing scheduled passenger air
9 service pursuant to authority issued under Part 121 or Part 129
10 of the Federal Aviation Regulations.

11 (36) ~~(35)~~ Tangible personal property purchased by a
12 public-facilities corporation, as described in Section
13 11-65-10 of the Illinois Municipal Code, for purposes of
14 constructing or furnishing a municipal convention hall, but
15 only if the legal title to the municipal convention hall is
16 transferred to the municipality without any further
17 consideration by or on behalf of the municipality at the time
18 of the completion of the municipal convention hall or upon the
19 retirement or redemption of any bonds or other debt instruments
20 issued by the public-facilities corporation in connection with
21 the development of the municipal convention hall. This
22 exemption includes existing public-facilities corporations as
23 provided in Section 11-65-25 of the Illinois Municipal Code.
24 This paragraph is exempt from the provisions of Section 3-90.

25 (37) Beginning January 1, 2011, tangible property that is
26 used or consumed within an Innovation Zone, as that term is

1 defined in the Illinois Innovation Zone Act, in the process of
2 manufacturing or assembly of tangible property for wholesale or
3 retail sale or lease.

4 (38) Beginning January 1, 2011, gas, electricity, and
5 telecommunication services that are purchased or used within an
6 Innovation Zone, as that term is defined in the Illinois
7 Innovation Zone Act, and have been in operation less than 8
8 years.

9 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
10 eff. 8-21-08; 96-116, eff. 7-31-09; 96-532, eff. 8-14-09;
11 96-759, eff. 1-1-10; revised 9-25-09.)

12 (Text of Section after amendment by P.A. 96-339)

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

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

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

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

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

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

6 (6) 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,
10 certified by the purchaser to be used primarily for graphic
11 arts production, and including machinery and equipment
12 purchased for lease. Equipment includes chemicals or chemicals
13 acting as catalysts but only if the chemicals or chemicals
14 acting as catalysts effect a direct and immediate change upon a
15 graphic arts product.

16 (7) Farm chemicals.

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

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

24 (10) A motor vehicle of the first division, a motor vehicle
25 of the second division that is a self-contained motor vehicle
26 designed or permanently converted to provide living quarters

1 for recreational, camping, or travel use, with direct walk
2 through to the living quarters from the driver's seat, or a
3 motor vehicle of the second division that is of the van
4 configuration designed for the transportation of not less than
5 7 nor more than 16 passengers, as defined in Section 1-146 of
6 the Illinois Vehicle Code, that is used for automobile renting,
7 as defined in the Automobile Renting Occupation and Use Tax
8 Act.

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

1 tender is separately stated.

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

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

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

25 (13) Proceeds of mandatory service charges separately
26 stated on customers' bills for the purchase and consumption of

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

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

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

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

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

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

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

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

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

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

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

1 has not been paid by the lessor. If a lessor improperly
2 collects any such amount from the lessee, the lessee shall have
3 a legal right to claim a refund of that amount from the lessor.
4 If, however, that amount is not refunded to the lessee for any
5 reason, the lessor is liable to pay that amount to the
6 Department.

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

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

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

23 (26) Beginning July 1, 1999, game or game birds purchased
24 at a "game breeding and hunting preserve area" or an "exotic
25 game hunting area" as those terms are used in the Wildlife Code
26 or at a hunting enclosure approved through rules adopted by the

1 Department of Natural Resources. This paragraph is exempt from
2 the provisions of Section 3-90.

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

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

1 parents and teachers of the school children. This paragraph
2 does not apply to fundraising events (i) for the benefit of
3 private home instruction or (ii) for which the fundraising
4 entity purchases the personal property sold at the events from
5 another individual or entity that sold the property for the
6 purpose of resale by the fundraising entity and that profits
7 from the sale to the fundraising entity. This paragraph is
8 exempt from the provisions of Section 3-90.

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

19 (30) Beginning January 1, 2001 and through June 30, 2011,
20 food for human consumption that is to be consumed off the
21 premises where it is sold (other than alcoholic beverages, soft
22 drinks, and food that has been prepared for immediate
23 consumption) and prescription and nonprescription medicines,
24 drugs, medical appliances, and insulin, urine testing
25 materials, syringes, and needles used by diabetics, for human
26 use, when purchased for use by a person receiving medical

1 assistance under Article V of the Illinois Public Aid Code who
2 resides in a licensed long-term care facility, as defined in
3 the Nursing Home Care Act, or in a licensed facility as defined
4 in the MR/DD Community Care Act.

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

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

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

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

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

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

24 (36) ~~(35)~~ Tangible personal property purchased by a
25 public-facilities corporation, as described in Section
26 11-65-10 of the Illinois Municipal Code, for purposes of

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

12 (37) Beginning January 1, 2011, tangible property that is
13 used or consumed within an Innovation Zone, as that term is
14 defined in the Illinois Innovation Zone Act, in the process of
15 manufacturing or assembly of tangible property for wholesale or
16 retail sale or lease.

17 (38) Beginning January 1, 2011, gas, electricity, and
18 telecommunication services that are purchased or used within an
19 Innovation Zone, as that term is defined in the Illinois
20 Innovation Zone Act, and have been in operation less than 8
21 years.

22 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
23 eff. 8-21-08; 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
24 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; revised 9-25-09.)

25 Section 920. The Service Use Tax Act is amended by changing

1 Section 3-5 as follows:

2 (35 ILCS 110/3-5)

3 (Text of Section before amendment by P.A. 96-339)

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

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

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

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

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

22 (7) Farm machinery and equipment, both new and used,
23 including that manufactured on special order, certified by the
24 purchaser to be used primarily for production agriculture or
25 State or federal agricultural programs, including individual
26 replacement parts for the machinery and equipment, including

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

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

23 Farm machinery and equipment also includes computers,
24 sensors, software, and related equipment used primarily in the
25 computer-assisted operation of production agriculture
26 facilities, equipment, and activities such as, but not limited

1 to, the collection, monitoring, and correlation of animal and
2 crop data for the purpose of formulating animal diets and
3 agricultural chemicals. This item (7) is exempt from the
4 provisions of Section 3-75.

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

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

21 (10) Until July 1, 2003, oil field exploration, drilling,
22 and production equipment, including (i) rigs and parts of rigs,
23 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
24 tubular goods, including casing and drill strings, (iii) pumps
25 and pump-jack units, (iv) storage tanks and flow lines, (v) any
26 individual replacement part for oil field exploration,

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

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

10 (12) Until July 1, 2003, coal exploration, mining,
11 offhighway hauling, processing, maintenance, and reclamation
12 equipment, including replacement parts and equipment, and
13 including equipment purchased for lease, but excluding motor
14 vehicles required to be registered under the Illinois Vehicle
15 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. This item (14) is exempt from the provisions
24 of Section 3-75, and the exemption provided for under this item
25 (14) applies for all periods beginning May 30, 1995, but no
26 claim for credit or refund is allowed on or after the effective

1 date of this amendatory Act of the 95th General Assembly for
2 such taxes paid during the period beginning May 30, 2000 and
3 ending on the effective date of this amendatory Act of the 95th
4 General Assembly.

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

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

21 (17) Beginning with taxable years ending on or after
22 December 31, 1995 and ending with taxable years ending on or
23 before December 31, 2004, personal property that is donated for
24 disaster relief to be used in a State or federally declared
25 disaster area in Illinois or bordering Illinois by a
26 manufacturer or retailer that is registered in this State to a

1 corporation, society, association, foundation, or institution
2 that has been issued a sales tax exemption identification
3 number by the Department that assists victims of the disaster
4 who reside within the declared disaster area.

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

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

23 (20) A motor vehicle, as that term is defined in Section
24 1-146 of the Illinois Vehicle Code, that is donated to a
25 corporation, limited liability company, society, association,
26 foundation, or institution that is determined by the Department

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

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

1 from the sale to the fundraising entity. This paragraph is
2 exempt from the provisions of Section 3-75.

3 (22) Beginning January 1, 2000 and through December 31,
4 2001, new or used automatic vending machines that prepare and
5 serve hot food and beverages, including coffee, soup, and other
6 items, and replacement parts for these machines. Beginning
7 January 1, 2002 and through June 30, 2003, machines and parts
8 for machines used in commercial, coin-operated amusement and
9 vending business if a use or occupation tax is paid on the
10 gross receipts derived from the use of the commercial,
11 coin-operated amusement and vending machines. This paragraph
12 is exempt from the provisions of Section 3-75.

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

24 (24) Beginning on the effective date of this amendatory Act
25 of the 92nd General Assembly, computers and communications
26 equipment utilized for any hospital purpose and equipment used

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

22 (25) Beginning on the effective date of this amendatory Act
23 of the 92nd General Assembly, personal property purchased by a
24 lessor who leases the property, under a lease of one year or
25 longer executed or in effect at the time the lessor would
26 otherwise be subject to the tax imposed by this Act, to a

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

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

25 (27) Beginning January 1, 2010, materials, parts,
26 equipment, components, and furnishings incorporated into or

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

22 (28) ~~(27)~~ Tangible personal property purchased by a
23 public-facilities corporation, as described in Section
24 11-65-10 of the Illinois Municipal Code, for purposes of
25 constructing or furnishing a municipal convention hall, but
26 only if the legal title to the municipal convention hall is

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

10 (29) Beginning January 1, 2011, tangible property that is
11 used or consumed within an Innovation Zone, as that term is
12 defined in the Illinois Innovation Zone Act, in the process of
13 manufacturing or assembly of tangible property for wholesale or
14 retail sale or lease.

15 (30) Beginning January 1, 2011, gas, electricity, and
16 telecommunication services that are purchased or used within an
17 Innovation Zone, as that term is defined in the Illinois
18 Innovation Zone Act, and have been in operation less than 8
19 years.

20 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
21 eff. 8-21-08; 96-116, eff. 7-31-09; 96-532, eff. 8-14-09;
22 96-759, eff. 1-1-10; revised 9-25-09.)

23 (Text of Section after amendment by P.A. 96-339)

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

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

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

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

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

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

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

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

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

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

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

17 Farm machinery and equipment also includes computers,
18 sensors, software, and related equipment used primarily in the
19 computer-assisted operation of production agriculture
20 facilities, equipment, and activities such as, but not limited
21 to, the collection, monitoring, and correlation of animal and
22 crop data for the purpose of formulating animal diets and
23 agricultural chemicals. This item (7) is exempt from the
24 provisions of Section 3-75.

25 (8) Fuel and petroleum products sold to or used by an air
26 common 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 or
3 returning from a location or locations outside the United
4 States without regard to previous or subsequent domestic
5 stopovers.

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

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

24 (11) Proceeds from the sale of photoprocessing machinery
25 and equipment, including repair and replacement parts, both new
26 and used, including that manufactured on special order,

1 certified by the purchaser to be used primarily for
2 photoprocessing, and including photoprocessing machinery and
3 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) Semen used for artificial insemination of livestock
11 for direct agricultural production.

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

25 (15) Computers and communications equipment utilized for
26 any hospital purpose and equipment used in the diagnosis,

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

21 (16) Personal property purchased by a lessor who leases the
22 property, under a lease of one year or longer executed or in
23 effect at the time the lessor would otherwise be subject to the
24 tax imposed by this Act, to a governmental body that has been
25 issued an active tax exemption identification number by the
26 Department under Section 1g of the Retailers' Occupation Tax

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

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

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

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

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

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

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

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

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

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

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

19 (24) Beginning on the effective date of this amendatory Act
20 of the 92nd General Assembly, computers and communications
21 equipment utilized for any hospital purpose and equipment used
22 in the diagnosis, analysis, or treatment of hospital patients
23 purchased by a lessor who leases the equipment, under a lease
24 of one year or longer executed or in effect at the time the
25 lessor would otherwise be subject to the tax imposed by this
26 Act, to a hospital that has been issued an active tax exemption

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

17 (25) Beginning on the effective date of this amendatory Act
18 of the 92nd General Assembly, personal property purchased by a
19 lessor who leases the property, under a lease of one year or
20 longer executed or in effect at the time the lessor would
21 otherwise be subject to the tax imposed by this Act, to a
22 governmental body that has been issued an active tax exemption
23 identification number by the Department under Section 1g of the
24 Retailers' Occupation Tax Act. If the property is leased in a
25 manner that does not qualify for this exemption or is used in
26 any other nonexempt manner, the lessor shall be liable for the

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

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

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

1 materials, parts, equipment, components, and consumable
2 supplies used in the modification, replacement, repair, and
3 maintenance of aircraft engines or power plants, whether such
4 engines or power plants are installed or uninstalled upon any
5 such aircraft. "Consumable supplies" include, but are not
6 limited to, adhesive, tape, sandpaper, general purpose
7 lubricants, cleaning solution, latex gloves, and protective
8 films. This exemption applies only to those organizations that
9 (i) hold an Air Agency Certificate and are empowered to operate
10 an approved repair station by the Federal Aviation
11 Administration, (ii) have a Class IV Rating, and (iii) conduct
12 operations in accordance with Part 145 of the Federal Aviation
13 Regulations. The exemption does not include aircraft operated
14 by a commercial air carrier providing scheduled passenger air
15 service pursuant to authority issued under Part 121 or Part 129
16 of the Federal Aviation Regulations.

17 (28) ~~(27)~~ Tangible personal property purchased by a
18 public-facilities corporation, as described in Section
19 11-65-10 of the Illinois Municipal Code, for purposes of
20 constructing or furnishing a municipal convention hall, but
21 only if the legal title to the municipal convention hall is
22 transferred to the municipality without any further
23 consideration by or on behalf of the municipality at the time
24 of the completion of the municipal convention hall or upon the
25 retirement or redemption of any bonds or other debt instruments
26 issued by the public-facilities corporation in connection with

1 the development of the municipal convention hall. This
2 exemption includes existing public-facilities corporations as
3 provided in Section 11-65-25 of the Illinois Municipal Code.
4 This paragraph is exempt from the provisions of Section 3-75.

5 (29) Beginning January 1, 2011, tangible property that is
6 used or consumed within an Innovation Zone, as that term is
7 defined in the Illinois Innovation Zone Act, in the process of
8 manufacturing or assembly of tangible property for wholesale or
9 retail sale or lease.

10 (30) Beginning January 1, 2011, gas, electricity, and
11 telecommunication services that are purchased or used within an
12 Innovation Zone, as that term is defined in the Illinois
13 Innovation Zone Act, and have been in operation less than 8
14 years.

15 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
16 eff. 8-21-08; 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
17 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; revised 9-25-09.)

18 Section 925. The Service Occupation Tax Act is amended by
19 adding Section 2e and by changing Section 3-5 as follows:

20 (35 ILCS 115/2e new)

21 Sec. 2e. Machinery and equipment exemption; Innovation
22 Zones.

23 (a) All tangible personal property to be used or consumed
24 within an Innovation Zone established pursuant to the Illinois

1 Innovation Zone Act in the process of manufacturing or assembly
2 of tangible personal property for wholesale or retail sale or
3 lease or in the process of the delivery of advanced healthcare
4 services if used or consumed at a facility which is located in
5 an Innovation Zone certified by the Department of Commerce and
6 Economic Opportunity or that is used to conduct research and
7 development activities within a facility that is located in an
8 Innovation Zone certified by the Department of Commerce and
9 Economic Opportunity is exempt from the tax imposed by this
10 Act. This exemption includes repair and replacement parts for
11 machinery and equipment used primarily in the process of
12 manufacturing or assembling tangible personal property or in
13 the process of the delivery of advanced healthcare services if
14 used or consumed at a facility which is located in an
15 Innovation Zone certified by the Department of Commerce and
16 Economic Opportunity or that is used to conduct research and
17 development activities within a facility that is located in an
18 Innovation Zone certified by the Department of Commerce and
19 Economic Opportunity.

20 (b) Any business enterprise seeking to avail itself of this
21 exemption shall make application to the Department of Commerce
22 and Economic Opportunity in such form and providing such
23 information as may be prescribed by the Department. The
24 Department shall determine whether the business enterprise
25 meets the criteria prescribed in this Section. If the
26 Department determines that such business enterprise meets the

1 criteria, it shall issue a certificate of eligibility for
2 exemption to the business enterprise in such form as is
3 prescribed by the Department of Revenue. The Department shall
4 act upon such certification requests within 60 days after
5 receipt of the application, and shall file with the Department
6 of Revenue a copy of each certificate of eligibility for
7 exemption.

8 (c) The Department of Commerce and Economic Opportunity
9 shall have the power to promulgate rules and regulations to
10 carry out the provisions of this Section including the power to
11 define the amounts and types of eligible investments not
12 specified in this Section which business enterprises must make
13 in order to receive the exemptions in this Section, and to
14 require that any business enterprise that is granted a tax
15 exemption repay the exempted tax if the business enterprise
16 fails to comply with the terms and conditions of the
17 certification.

18 (d) The certificate of eligibility for exemption shall be
19 presented by the business enterprise to its supplier when
20 making the initial purchase of tangible personal property for
21 which an exemption is granted in this Section, together with a
22 certification by the business enterprise that such tangible
23 personal property is exempt from taxation and by indicating the
24 exempt status of each subsequent purchase on the face of the
25 purchase order.

26 (e) The Department of Commerce and Economic Opportunity

1 shall determine the period during which such exemption from the
2 taxes imposed under this Act is in effect which shall not
3 exceed 20 years.

4 (35 ILCS 115/3-5)

5 (Text of Section before amendment by P.A. 96-339)

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

8 (1) 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 benefit
12 of persons 65 years of age or older if the personal property
13 was not purchased by the enterprise for the purpose of resale
14 by the enterprise.

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

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

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

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

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

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

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

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

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

1 computer-assisted operation of production agriculture
2 facilities, equipment, and activities such as, but not limited
3 to, the collection, monitoring, and correlation of animal and
4 crop data for the purpose of formulating animal diets and
5 agricultural chemicals. This item (7) is exempt from the
6 provisions of Section 3-55.

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

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

22 (10) Until July 1, 2003, oil field exploration, drilling,
23 and production equipment, including (i) rigs and parts of rigs,
24 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and
25 tubular goods, including casing and drill strings, (iii) pumps
26 and 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) Photoprocessing machinery and equipment, including
6 repair and replacement parts, both new and used, including that
7 manufactured on special order, certified by the purchaser to be
8 used primarily for photoprocessing, and including
9 photoprocessing machinery and equipment purchased for lease.

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

16 (13) Beginning January 1, 1992 and through June 30, 2011,
17 food for human consumption that is to be consumed off the
18 premises where it is sold (other than alcoholic beverages, soft
19 drinks and food that has been prepared for immediate
20 consumption) and prescription and non-prescription medicines,
21 drugs, medical appliances, and insulin, urine testing
22 materials, syringes, and needles used by diabetics, for human
23 use, when purchased for use by a person receiving medical
24 assistance under Article 5 of the Illinois Public Aid Code who
25 resides in a licensed long-term care facility, as defined in
26 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. This item (15) is exempt from the provisions
9 of Section 3-55, and the exemption provided for under this item
10 (15) applies for all periods beginning May 30, 1995, but no
11 claim for credit or refund is allowed on or after January 1,
12 2008 (the effective date of Public Act 95-88) for such taxes
13 paid during the period beginning May 30, 2000 and ending on
14 January 1, 2008 (the effective date of Public Act 95-88).

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

23 (17) Personal property sold to a lessor who leases the
24 property, under a lease of one year or longer executed or in
25 effect at the time of the purchase, to a governmental body that
26 has been issued an active tax exemption identification number

1 by the Department under Section 1g of the Retailers' Occupation
2 Tax Act.

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

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

25 (20) Beginning July 1, 1999, game or game birds sold at a
26 "game breeding and hunting preserve area" or an "exotic game

1 hunting area" as those terms are used in the Wildlife Code or
2 at a hunting enclosure approved through rules adopted by the
3 Department of Natural Resources. This paragraph is exempt from
4 the provisions of Section 3-55.

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

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

1 the events are sponsored by an entity recognized by the school
2 district that consists primarily of volunteers and includes
3 parents and teachers of the school children. This paragraph
4 does not apply to fundraising events (i) for the benefit of
5 private home instruction or (ii) for which the fundraising
6 entity purchases the personal property sold at the events from
7 another individual or entity that sold the property for the
8 purpose of resale by the fundraising entity and that profits
9 from the sale to the fundraising entity. This paragraph is
10 exempt from the provisions of Section 3-55.

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

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 sold to a lessor who leases the equipment, under a lease of one
26 year or longer executed or in effect at the time of the

1 purchase, to a hospital that has been issued an active tax
2 exemption identification number by the Department under
3 Section 1g of the Retailers' Occupation Tax Act. This paragraph
4 is exempt from the provisions of Section 3-55.

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

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

1 Department who is eligible for the exemption under this
2 paragraph (26). The permit issued under this paragraph (26)
3 shall authorize the holder, to the extent and in the manner
4 specified in the rules adopted under this Act, to purchase
5 tangible personal property from a retailer exempt from the
6 taxes imposed by this Act. Taxpayers shall maintain all
7 necessary books and records to substantiate the use and
8 consumption of all such tangible personal property outside of
9 the State of Illinois.

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

17 (28) Tangible personal property sold to a
18 public-facilities corporation, as described in Section
19 11-65-10 of the Illinois Municipal Code, for purposes of
20 constructing or furnishing a municipal convention hall, but
21 only if the legal title to the municipal convention hall is
22 transferred to the municipality without any further
23 consideration by or on behalf of the municipality at the time
24 of the completion of the municipal convention hall or upon the
25 retirement or redemption of any bonds or other debt instruments
26 issued by the public-facilities corporation in connection with

1 the development of the municipal convention hall. This
2 exemption includes existing public-facilities corporations as
3 provided in Section 11-65-25 of the Illinois Municipal Code.
4 This paragraph is exempt from the provisions of Section 3-55.

5 (29) ~~(28)~~ Beginning January 1, 2010, materials, parts,
6 equipment, components, and furnishings incorporated into or
7 upon an aircraft as part of the modification, refurbishment,
8 completion, replacement, repair, or maintenance of the
9 aircraft. This exemption includes consumable supplies used in
10 the modification, refurbishment, completion, replacement,
11 repair, and maintenance of aircraft, but excludes any
12 materials, parts, equipment, components, and consumable
13 supplies used in the modification, replacement, repair, and
14 maintenance of aircraft engines or power plants, whether such
15 engines or power plants are installed or uninstalled upon any
16 such aircraft. "Consumable supplies" include, but are not
17 limited to, adhesive, tape, sandpaper, general purpose
18 lubricants, cleaning solution, latex gloves, and protective
19 films. This exemption applies only to those organizations that
20 (i) hold an Air Agency Certificate and are empowered to operate
21 an approved repair station by the Federal Aviation
22 Administration, (ii) have a Class IV Rating, and (iii) conduct
23 operations in accordance with Part 145 of the Federal Aviation
24 Regulations. The exemption does not include aircraft operated
25 by a commercial air carrier providing scheduled passenger air
26 service pursuant to authority issued under Part 121 or Part 129

1 of the Federal Aviation Regulations.

2 (30) Beginning January 1, 2011, tangible property that is
3 used or consumed within an Innovation Zone, as that term is
4 defined in the Illinois Innovation Zone Act, in the process of
5 manufacturing or assembly of tangible property for wholesale or
6 retail sale or lease.

7 (31) Beginning January 1, 2011, gas, electricity, and
8 telecommunication services that are purchased or used within an
9 Innovation Zone, as that term is defined in the Illinois
10 Innovation Zone Act, and have been in operation less than 8
11 years.

12 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
13 eff. 8-21-08; 96-116, eff. 7-31-09; 96-532, eff. 8-14-09;
14 96-759, eff. 1-1-10; revised 9-25-09.)

15 (Text of Section after amendment by P.A. 96-339)

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

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

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

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

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

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

22 (5) Until July 1, 2003 and beginning again on September 1,
23 2004 through August 30, 2014, graphic arts machinery and
24 equipment, including repair and replacement parts, both new and
25 used, and including that manufactured on special order or
26 purchased for lease, certified by the purchaser to be used

1 primarily for graphic arts production. Equipment includes
2 chemicals or chemicals acting as catalysts but only if the
3 chemicals or chemicals acting as catalysts effect a direct and
4 immediate change upon a graphic arts product.

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

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

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

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

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

24 (9) Proceeds of mandatory service charges separately
25 stated on customers' bills for the purchase and consumption of
26 food and beverages, to the extent that the proceeds of the

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

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

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

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

26 (13) Beginning January 1, 1992 and through June 30, 2011,

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

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

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

26 (16) Computers and communications equipment utilized for

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

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

14 (18) 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 for
17 disaster relief to be used in a State or federally declared
18 disaster area in Illinois or bordering Illinois by a
19 manufacturer or retailer that is registered in this State to a
20 corporation, society, association, foundation, or institution
21 that has been issued a sales tax exemption identification
22 number by the Department that assists victims of the disaster
23 who reside within the declared disaster area.

24 (19) 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 the

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

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

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

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

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

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

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

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

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

24 (26) Beginning on January 1, 2002 and through June 30,
25 2011, tangible personal property purchased from an Illinois
26 retailer by a taxpayer engaged in centralized purchasing

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

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

1 exempt from the provisions of Section 3-55.

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

16 (29) ~~(28)~~ Beginning January 1, 2010, materials, parts,
17 equipment, components, and furnishings incorporated into or
18 upon an aircraft as part of the modification, refurbishment,
19 completion, replacement, repair, or maintenance of the
20 aircraft. This exemption includes consumable supplies used in
21 the modification, refurbishment, completion, replacement,
22 repair, and maintenance of aircraft, but excludes any
23 materials, parts, equipment, components, and consumable
24 supplies used in the modification, replacement, repair, and
25 maintenance of aircraft engines or power plants, whether such
26 engines or power plants are installed or uninstalled upon any

1 such aircraft. "Consumable supplies" include, but are not
2 limited to, adhesive, tape, sandpaper, general purpose
3 lubricants, cleaning solution, latex gloves, and protective
4 films. This exemption applies only to those organizations that
5 (i) hold an Air Agency Certificate and are empowered to operate
6 an approved repair station by the Federal Aviation
7 Administration, (ii) have a Class IV Rating, and (iii) conduct
8 operations in accordance with Part 145 of the Federal Aviation
9 Regulations. The exemption does not include aircraft operated
10 by a commercial air carrier providing scheduled passenger air
11 service pursuant to authority issued under Part 121 or Part 129
12 of the Federal Aviation Regulations.

13 (30) Beginning January 1, 2011, tangible property that is
14 used or consumed within an Innovation Zone, as that term is
15 defined in the Illinois Innovation Zone Act, in the process of
16 manufacturing or assembly of tangible property for wholesale or
17 retail sale or lease.

18 (31) Beginning January 1, 2011, gas, electricity, and
19 telecommunication services that are purchased or used within an
20 Innovation Zone, as that term is defined in the Illinois
21 Innovation Zone Act, and have been in operation less than 8
22 years.

23 (Source: P.A. 95-88, eff. 1-1-08; 95-538, eff. 1-1-08; 95-876,
24 eff. 8-21-08; 96-116, eff. 7-31-09; 96-339, eff. 7-1-10;
25 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; revised 9-25-09.)

1 Section 930. The Retailers' Occupation Tax Act is amended
2 by changing Section 2-5 as follows:

3 (35 ILCS 120/2-5)

4 (Text of Section before amendment by P.A. 96-339)

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

8 (1) Farm chemicals.

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

1 vehicle required to be licensed, if the selling price of the
2 tender is separately stated.

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

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

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

25 (4) Until July 1, 2003 and beginning again September 1,
26 2004 through August 30, 2014, graphic arts machinery and

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

8 (5) A motor vehicle of the first division, a motor vehicle
9 of the second division that is a self contained motor vehicle
10 designed or permanently converted to provide living quarters
11 for recreational, camping, or travel use, with direct walk
12 through access to the living quarters from the driver's seat,
13 or a motor vehicle of the second division that is of the van
14 configuration designed for the transportation of not less than
15 7 nor more than 16 passengers, as defined in Section 1-146 of
16 the Illinois Vehicle Code, that is used for automobile renting,
17 as defined in the Automobile Renting Occupation and Use Tax
18 Act. This paragraph is exempt from the provisions of Section
19 2-70.

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

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

26 (8) Personal property sold to an Illinois county fair

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

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

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

25 (11) Personal property sold to a governmental body, to a
26 corporation, society, association, foundation, or institution

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

13 (12) Tangible personal property sold to interstate
14 carriers for hire for use as rolling stock moving in interstate
15 commerce or to lessors under leases of one year or longer
16 executed or in effect at the time of purchase by interstate
17 carriers for hire for use as rolling stock moving in interstate
18 commerce and equipment operated by a telecommunications
19 provider, licensed as a common carrier by the Federal
20 Communications Commission, which is permanently installed in
21 or affixed to aircraft moving in interstate commerce.

22 (12-5) On and after July 1, 2003 and through June 30, 2004,
23 motor vehicles of the second division with a gross vehicle
24 weight in excess of 8,000 pounds that are subject to the
25 commercial distribution fee imposed under Section 3-815.1 of
26 the Illinois Vehicle Code. Beginning on July 1, 2004 and

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

14 (13) Proceeds from sales to owners, lessors, or shippers of
15 tangible personal property that is utilized by interstate
16 carriers for hire for use as rolling stock moving in interstate
17 commerce and equipment operated by a telecommunications
18 provider, licensed as a common carrier by the Federal
19 Communications Commission, which is permanently installed in
20 or affixed to aircraft moving in interstate commerce.

21 (14) Machinery and equipment that will be used by the
22 purchaser, or a lessee of the purchaser, primarily in the
23 process of manufacturing or assembling tangible personal
24 property for wholesale or retail sale or lease, whether the
25 sale or lease is made directly by the manufacturer or by some
26 other person, whether the materials used in the process are

1 owned by the manufacturer or some other person, or whether the
2 sale or lease is made apart from or as an incident to the
3 seller's engaging in the service occupation of producing
4 machines, tools, dies, jigs, patterns, gauges, or other similar
5 items of no commercial value on special order for a particular
6 purchaser.

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

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

17 (17) Tangible personal property sold to a common carrier by
18 rail or motor that receives the physical possession of the
19 property in Illinois and that transports the property, or
20 shares with another common carrier in the transportation of the
21 property, out of Illinois on a standard uniform bill of lading
22 showing the seller of the property as the shipper or consignor
23 of the property to a destination outside Illinois, for use
24 outside Illinois.

25 (18) Legal tender, currency, medallions, or gold or silver
26 coinage issued by the State of Illinois, the government of the

1 United States of America, or the government of any foreign
2 country, and bullion.

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

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

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

23 (22) Fuel and petroleum products sold to or used by an air
24 carrier, certified by the carrier to be used for consumption,
25 shipment, or storage in the conduct of its business as an air
26 common carrier, for a flight destined for or returning from a

1 location or locations outside the United States without regard
2 to previous or subsequent domestic stopovers.

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

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

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

25 (25-5) The exemption under item (25) does not apply if the
26 state in which the motor vehicle will be titled does not allow

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

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

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

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

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

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

24 "Based in this State" means hangared, stored, or otherwise
25 used, excluding post-sale customizations as defined in this
26 Section, for 10 or more days in each 12-month period

1 immediately following the date of the sale of the aircraft.

2 "Registered in this State" means an aircraft registered
3 with the Department of Transportation, Aeronautics Division,
4 or titled or registered with the Federal Aviation
5 Administration to an address located in this State.

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

8 (26) Semen used for artificial insemination of livestock
9 for direct agricultural production.

10 (27) Horses, or interests in horses, registered with and
11 meeting the requirements of any of the Arabian Horse Club
12 Registry of America, Appaloosa Horse Club, American Quarter
13 Horse Association, United States Trotting Association, or
14 Jockey Club, as appropriate, used for purposes of breeding or
15 racing for prizes. This item (27) is exempt from the provisions
16 of Section 2-70, and the exemption provided for under this item
17 (27) applies for all periods beginning May 30, 1995, but no
18 claim for credit or refund is allowed on or after January 1,
19 2008 (the effective date of Public Act 95-88) for such taxes
20 paid during the period beginning May 30, 2000 and ending on
21 January 1, 2008 (the effective date of Public Act 95-88).

22 (28) Computers and communications equipment utilized for
23 any hospital purpose and equipment used in the diagnosis,
24 analysis, or treatment of hospital patients sold to a lessor
25 who leases the equipment, under a lease of one year or longer
26 executed or in effect at the time of the purchase, to a

1 hospital that has been issued an active tax exemption
2 identification number by the Department under Section 1g of
3 this Act.

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

9 (30) 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 donated for
12 disaster relief to be used in a State or federally declared
13 disaster area in Illinois or bordering Illinois by a
14 manufacturer or retailer that is registered in this State to a
15 corporation, society, association, foundation, or institution
16 that has been issued a sales tax exemption identification
17 number by the Department that assists victims of the disaster
18 who reside within the declared disaster area.

19 (31) Beginning with taxable years ending on or after
20 December 31, 1995 and ending with taxable years ending on or
21 before December 31, 2004, personal property that is used in the
22 performance of infrastructure repairs in this State, including
23 but not limited to municipal roads and streets, access roads,
24 bridges, sidewalks, waste disposal systems, water and sewer
25 line extensions, water distribution and purification
26 facilities, storm water drainage and retention facilities, and

1 sewage treatment facilities, resulting from a State or
2 federally declared disaster in Illinois or bordering Illinois
3 when such repairs are initiated on facilities located in the
4 declared disaster area within 6 months after the disaster.

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

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

1 follow a trade or to pursue a manual, technical, mechanical,
2 industrial, business, or commercial occupation.

3 (34) 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 school,
6 a group of those schools, or one or more school districts if
7 the events are sponsored by an entity recognized by the school
8 district that consists primarily of volunteers and includes
9 parents and teachers of the school children. This paragraph
10 does not apply to fundraising events (i) for the benefit of
11 private home instruction or (ii) for which the fundraising
12 entity purchases the personal property sold at the events from
13 another individual or entity that sold the property for the
14 purpose of resale by the fundraising entity and that profits
15 from the sale to the fundraising entity. This paragraph is
16 exempt from the provisions of Section 2-70.

17 (35) 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 other
20 items, and replacement parts for these machines. Beginning
21 January 1, 2002 and through June 30, 2003, machines and parts
22 for machines used in commercial, coin-operated amusement and
23 vending business if a use or occupation tax is paid on the
24 gross 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 2-70.

1 (35-5) Beginning August 23, 2001 and through June 30, 2011,
2 food for human consumption that is to be consumed off the
3 premises where it is sold (other than alcoholic beverages, soft
4 drinks, and food that has been prepared for immediate
5 consumption) and prescription and nonprescription medicines,
6 drugs, medical appliances, and insulin, urine testing
7 materials, syringes, and needles used by diabetics, for human
8 use, when purchased for use by a person receiving medical
9 assistance under Article 5 of the Illinois Public Aid Code who
10 resides in a licensed long-term care facility, as defined in
11 the Nursing Home Care Act.

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

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

1 Section 2-70.

2 (38) Beginning on January 1, 2002 and through June 30,
3 2011, tangible personal property purchased from an Illinois
4 retailer by a taxpayer engaged in centralized purchasing
5 activities in Illinois who will, upon receipt of the property
6 in Illinois, temporarily store the property in Illinois (i) for
7 the purpose of subsequently transporting it outside this State
8 for use or consumption thereafter solely outside this State or
9 (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 State
12 and thereafter used or consumed solely outside this State. The
13 Director of Revenue shall, pursuant to rules adopted in
14 accordance with the Illinois Administrative Procedure Act,
15 issue a permit to any taxpayer in good standing with the
16 Department who is eligible for the exemption under this
17 paragraph (38). The permit issued under this paragraph (38)
18 shall authorize the holder, to the extent and in the manner
19 specified in the rules adopted under this Act, to purchase
20 tangible personal property from a retailer exempt from the
21 taxes imposed by this Act. Taxpayers shall maintain all
22 necessary books and records to substantiate the use and
23 consumption of all such tangible personal property outside of
24 the State of Illinois.

25 (39) Beginning January 1, 2008, tangible personal property
26 used in the construction or maintenance of a community water

1 supply, as defined under Section 3.145 of the Environmental
2 Protection Act, that is operated by a not-for-profit
3 corporation that holds a valid water supply permit issued under
4 Title IV of the Environmental Protection Act. This paragraph is
5 exempt from the provisions of Section 2-70.

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

1 service pursuant to authority issued under Part 121 or Part 129
2 of the Federal Aviation Regulations.

3 (41) ~~(40)~~ Tangible personal property sold to a
4 public-facilities corporation, as described in Section
5 11-65-10 of the Illinois Municipal Code, for purposes of
6 constructing or furnishing a municipal convention hall, but
7 only if the legal title to the municipal convention hall is
8 transferred to the municipality without any further
9 consideration by or on behalf of the municipality at the time
10 of the completion of the municipal convention hall or upon the
11 retirement or redemption of any bonds or other debt instruments
12 issued by the public-facilities corporation in connection with
13 the development of the municipal convention hall. This
14 exemption includes existing public-facilities corporations as
15 provided in Section 11-65-25 of the Illinois Municipal Code.
16 This paragraph is exempt from the provisions of Section 2-70.

17 (42) Beginning January 1, 2011, tangible property that is
18 used or consumed within an Innovation Zone, as that term is
19 defined in the Illinois Innovation Zone Act, in the process of
20 manufacturing or assembly of tangible property for wholesale or
21 retail sale or lease.

22 (43) Beginning January 1, 2011, gas, electricity, and
23 telecommunication services that are purchased or used within an
24 Innovation Zone, as that term is defined in the Illinois
25 Innovation Zone Act, and have been in operation less than 8
26 years.

1 (Source: P.A. 95-88, eff. 1-1-08; 95-233, eff. 8-16-07; 95-304,
2 eff. 8-20-07; 95-538, eff. 1-1-08; 95-707, eff. 1-11-08;
3 95-876, eff. 8-21-08; 96-116, eff. 7-31-09; 96-532, eff.
4 8-14-09; 96-759, eff. 1-1-10.)

5 (Text of Section after amendment by P.A. 96-339)

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

9 (1) Farm chemicals.

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

1 required to be licensed and units sold mounted on a motor
2 vehicle required to be licensed, if the selling price of the
3 tender is separately stated.

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

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

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

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

1 2004 through August 30, 2014, graphic arts machinery and
2 equipment, including repair and replacement parts, both new and
3 used, and including that manufactured on special order or
4 purchased for lease, certified by the purchaser to be used
5 primarily for graphic arts production. Equipment includes
6 chemicals or chemicals acting as catalysts but only if the
7 chemicals or chemicals acting as catalysts effect a direct and
8 immediate change upon a graphic arts product.

9 (5) A motor vehicle of the first division, a motor vehicle
10 of the second division that is a self contained motor vehicle
11 designed or permanently converted to provide living quarters
12 for recreational, camping, or travel use, with direct walk
13 through access to the living quarters from the driver's seat,
14 or a motor vehicle of the second division that is of the van
15 configuration designed for the transportation of not less than
16 7 nor more than 16 passengers, as defined in Section 1-146 of
17 the Illinois Vehicle Code, that is used for automobile renting,
18 as defined in the Automobile Renting Occupation and Use Tax
19 Act. This paragraph is exempt from the provisions of Section
20 2-70.

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

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

1 (8) Personal property sold to an Illinois county fair
2 association for use in conducting, operating, or promoting the
3 county fair.

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

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

26 (11) Personal property sold to a governmental body, to a

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

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

23 (12-5) On and after July 1, 2003 and through June 30, 2004,
24 motor vehicles of the second division with a gross vehicle
25 weight in excess of 8,000 pounds that are subject to the
26 commercial distribution fee imposed under Section 3-815.1 of

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

15 (13) Proceeds from sales to owners, lessors, or shippers of
16 tangible personal property that is utilized by interstate
17 carriers for hire for use as rolling stock moving in interstate
18 commerce and equipment operated by a telecommunications
19 provider, licensed as a common carrier by the Federal
20 Communications Commission, which is permanently installed in
21 or affixed to aircraft moving in interstate commerce.

22 (14) Machinery and equipment that will be used by the
23 purchaser, or a lessee of the purchaser, primarily in the
24 process of manufacturing or assembling tangible personal
25 property for wholesale or retail sale or lease, whether the
26 sale or lease is made directly by the manufacturer or by some

1 other person, whether the materials used in the process are
2 owned by the manufacturer or some other person, or whether the
3 sale or lease is made apart from or as an incident to the
4 seller's engaging in the service occupation of producing
5 machines, tools, dies, jigs, patterns, gauges, or other similar
6 items of no commercial value on special order for a particular
7 purchaser.

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

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

18 (17) Tangible personal property sold to a common carrier by
19 rail or motor that receives the physical possession of the
20 property in Illinois and that transports the property, or
21 shares with another common carrier in the transportation of the
22 property, out of Illinois on a standard uniform bill of lading
23 showing the seller of the property as the shipper or consignor
24 of the property to a destination outside Illinois, for use
25 outside Illinois.

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

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

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

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

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

24 (22) Fuel and petroleum products sold to or used by an air
25 carrier, certified by the carrier to be used for consumption,
26 shipment, or storage in the conduct of its business as an air

1 common carrier, for a flight destined for or returning from a
2 location or locations outside the United States without regard
3 to previous or subsequent domestic stopovers.

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

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

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

26 (25-5) The exemption under item (25) does not apply if the

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

1 rate imposed under this Act.

2 (25-7) Beginning on July 1, 2007, no tax is imposed under
3 this Act on the sale of an aircraft, as defined in Section 3 of
4 the Illinois Aeronautics Act, if all of the following
5 conditions are met:

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

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

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

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

25 "Based in this State" means hangared, stored, or otherwise
26 used, excluding post-sale customizations as defined in this

1 Section, for 10 or more days in each 12-month period
2 immediately following the date of the sale of the aircraft.

3 "Registered in this State" means an aircraft registered
4 with the Department of Transportation, Aeronautics Division,
5 or titled or registered with the Federal Aviation
6 Administration to an address located in this State.

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

9 (26) Semen used for artificial insemination of livestock
10 for direct agricultural production.

11 (27) Horses, or interests in horses, registered with and
12 meeting the requirements of any of the Arabian Horse Club
13 Registry of America, Appaloosa Horse Club, American Quarter
14 Horse Association, United States Trotting Association, or
15 Jockey Club, as appropriate, used for purposes of breeding or
16 racing for prizes. This item (27) is exempt from the provisions
17 of Section 2-70, and the exemption provided for under this item
18 (27) applies for all periods beginning May 30, 1995, but no
19 claim for credit or refund is allowed on or after January 1,
20 2008 (the effective date of Public Act 95-88) for such taxes
21 paid during the period beginning May 30, 2000 and ending on
22 January 1, 2008 (the effective date of Public Act 95-88).

23 (28) Computers and communications equipment utilized for
24 any hospital purpose and equipment used in the diagnosis,
25 analysis, or treatment of hospital patients sold to a lessor
26 who leases the equipment, under a lease of one year or longer

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

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

10 (30) 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 donated for
13 disaster relief to be used in a State or federally declared
14 disaster area in Illinois or bordering Illinois by a
15 manufacturer or retailer that is registered in this State to a
16 corporation, society, association, foundation, or institution
17 that has been issued a sales tax exemption identification
18 number by the Department that assists victims of the disaster
19 who reside within the declared disaster area.

20 (31) Beginning with taxable years ending on or after
21 December 31, 1995 and ending with taxable years ending on or
22 before December 31, 2004, personal property that is used in the
23 performance of infrastructure repairs in this State, including
24 but not limited to municipal roads and streets, access roads,
25 bridges, sidewalks, waste disposal systems, water and sewer
26 line extensions, water distribution and purification

1 facilities, storm water drainage and retention facilities, and
2 sewage treatment facilities, resulting from a State or
3 federally declared disaster in Illinois or bordering Illinois
4 when such repairs are initiated on facilities located in the
5 declared disaster area within 6 months after the disaster.

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

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

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

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

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

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

2 (35-5) Beginning August 23, 2001 and through June 30, 2011,
3 food for human consumption that is to be consumed off the
4 premises where it is sold (other than alcoholic beverages, soft
5 drinks, and food that has been prepared for immediate
6 consumption) and prescription and nonprescription medicines,
7 drugs, medical appliances, and insulin, urine testing
8 materials, syringes, and needles used by diabetics, for human
9 use, when purchased for use by a person receiving medical
10 assistance under Article V of the Illinois Public Aid Code who
11 resides in a licensed long-term care facility, as defined in
12 the Nursing Home Care Act, or a licensed facility as defined in
13 the MR/DD Community Care Act.

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

23 (37) Beginning August 2, 2001, personal property sold to a
24 lessor who leases the property, under a lease of one year or
25 longer executed or in effect at the time of the purchase, to a
26 governmental body that has been issued an active tax exemption

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

4 (38) Beginning on January 1, 2002 and through June 30,
5 2011, tangible personal property purchased from an Illinois
6 retailer by a taxpayer engaged in centralized purchasing
7 activities in Illinois who will, upon receipt of the property
8 in Illinois, temporarily store the property in Illinois (i) for
9 the purpose of subsequently transporting it outside this State
10 for use or consumption thereafter solely outside this State or
11 (ii) for the purpose of being processed, fabricated, or
12 manufactured into, attached to, or incorporated into other
13 tangible personal property to be transported outside this State
14 and thereafter used or consumed solely outside this State. The
15 Director of Revenue shall, pursuant to rules adopted in
16 accordance with the Illinois Administrative Procedure Act,
17 issue a permit to any taxpayer in good standing with the
18 Department who is eligible for the exemption under this
19 paragraph (38). The permit issued under this paragraph (38)
20 shall authorize the holder, to the extent and in the manner
21 specified in the rules adopted under this Act, to purchase
22 tangible personal property from a retailer exempt from the
23 taxes imposed by this Act. Taxpayers shall maintain all
24 necessary books and records to substantiate the use and
25 consumption of all such tangible personal property outside of
26 the State of Illinois.

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

8 (40) Beginning January 1, 2010, materials, parts,
9 equipment, components, and furnishings incorporated into or
10 upon an aircraft as part of the modification, refurbishment,
11 completion, replacement, repair, or maintenance of the
12 aircraft. This exemption includes consumable supplies used in
13 the modification, refurbishment, completion, replacement,
14 repair, and maintenance of aircraft, but excludes any
15 materials, parts, equipment, components, and consumable
16 supplies used in the modification, replacement, repair, and
17 maintenance of aircraft engines or power plants, whether such
18 engines or power plants are installed or uninstalled upon any
19 such aircraft. "Consumable supplies" include, but are not
20 limited to, adhesive, tape, sandpaper, general purpose
21 lubricants, cleaning solution, latex gloves, and protective
22 films. This exemption applies only to those organizations that
23 (i) hold an Air Agency Certificate and are empowered to operate
24 an approved repair station by the Federal Aviation
25 Administration, (ii) have a Class IV Rating, and (iii) conduct
26 operations in accordance with Part 145 of the Federal Aviation

1 Regulations. The exemption does not include aircraft operated
2 by a commercial air carrier providing scheduled passenger air
3 service pursuant to authority issued under Part 121 or Part 129
4 of the Federal Aviation Regulations.

5 (41) ~~(40)~~ Tangible personal property sold to a
6 public-facilities corporation, as described in Section
7 11-65-10 of the Illinois Municipal Code, for purposes of
8 constructing or furnishing a municipal convention hall, but
9 only if the legal title to the municipal convention hall is
10 transferred to the municipality without any further
11 consideration by or on behalf of the municipality at the time
12 of the completion of the municipal convention hall or upon the
13 retirement or redemption of any bonds or other debt instruments
14 issued by the public-facilities corporation in connection with
15 the development of the municipal convention hall. This
16 exemption includes existing public-facilities corporations as
17 provided in Section 11-65-25 of the Illinois Municipal Code.
18 This paragraph is exempt from the provisions of Section 2-70.

19 (42) Beginning January 1, 2011, tangible property that is
20 used or consumed within an Innovation Zone, as that term is
21 defined in the Illinois Innovation Zone Act, in the process of
22 manufacturing or assembly of tangible property for wholesale or
23 retail sale or lease.

24 (43) Beginning January 1, 2011, gas, electricity, and
25 telecommunication services that are purchased or used within an
26 Innovation Zone, as that term is defined in the Illinois

1 Innovation Zone Act, and have been in operation less than 8
2 years.

3 (Source: P.A. 95-88, eff. 1-1-08; 95-233, eff. 8-16-07; 95-304,
4 eff. 8-20-07; 95-538, eff. 1-1-08; 95-707, eff. 1-11-08;
5 95-876, eff. 8-21-08; 96-116, eff. 7-31-09; 96-339, eff.
6 7-1-10; 96-532, eff. 8-14-09; 96-759, eff. 1-1-10; revised
7 9-25-09.)

8 Section 9995. No acceleration or delay. Where this Act
9 makes changes in a statute that is represented in this Act by
10 text that is not yet or no longer in effect (for example, a
11 Section represented by multiple versions), the use of that text
12 does not accelerate or delay the taking effect of (i) the
13 changes made by this Act or (ii) provisions derived from any
14 other Public Act.

1 INDEX

2 Statutes amended in order of appearance

3 New Act

4 30 ILCS 105/5.777 new

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

6 35 ILCS 5/219 new

7 35 ILCS 10/5-23 new

8 35 ILCS 105/3-5

9 35 ILCS 110/3-5

10 35 ILCS 115/2e new

11 35 ILCS 115/3-5

12 35 ILCS 120/2-5