



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB4307

Introduced 1/16/2024, by Rep. Paul Jacobs

SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-10
35 ILCS 110/3-10
35 ILCS 115/3-10
35 ILCS 120/2-10

from Ch. 120, par. 439.33-10
from Ch. 120, par. 439.103-10

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Reduces the rate of tax on diapers and baby wipes to 1% (currently, 6.25%). Makes various formatting changes.

LRB103 35634 HLH 65709 b

1 AN ACT concerning revenue.

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

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

6 (35 ILCS 105/3-10)

7 Sec. 3-10. Rate of tax. Unless otherwise provided in this
8 Section, the tax imposed by this Act is at the rate of 6.25% of
9 either the selling price or the fair market value, if any, of
10 the tangible personal property. In all cases where property
11 functionally used or consumed is the same as the property that
12 was purchased at retail, then the tax is imposed on the selling
13 price of the property. In all cases where property
14 functionally used or consumed is a by-product or waste product
15 that has been refined, manufactured, or produced from property
16 purchased at retail, then the tax is imposed on the lower of
17 the fair market value, if any, of the specific property so used
18 in this State or on the selling price of the property purchased
19 at retail. For purposes of this Section "fair market value"
20 means the price at which property would change hands between a
21 willing buyer and a willing seller, neither being under any
22 compulsion to buy or sell and both having reasonable knowledge
23 of the relevant facts. The fair market value shall be

1 established by Illinois sales by the taxpayer of the same
2 property as that functionally used or consumed, or if there
3 are no such sales by the taxpayer, then comparable sales or
4 purchases of property of like kind and character in Illinois.

5 Beginning on July 1, 2000 and through December 31, 2000,
6 with respect to motor fuel, as defined in Section 1.1 of the
7 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
8 the Use Tax Act, the tax is imposed at the rate of 1.25%.

9 Beginning on August 6, 2010 through August 15, 2010, and
10 beginning again on August 5, 2022 through August 14, 2022,
11 with respect to sales tax holiday items as defined in Section
12 3-6 of this Act, the tax is imposed at the rate of 1.25%.

13 With respect to gasohol, the tax imposed by this Act
14 applies to (i) 70% of the proceeds of sales made on or after
15 January 1, 1990, and before July 1, 2003, (ii) 80% of the
16 proceeds of sales made on or after July 1, 2003 and on or
17 before July 1, 2017, (iii) 100% of the proceeds of sales made
18 after July 1, 2017 and prior to January 1, 2024, (iv) 90% of
19 the proceeds of sales made on or after January 1, 2024 and on
20 or before December 31, 2028, and (v) 100% of the proceeds of
21 sales made after December 31, 2028. If, at any time, however,
22 the tax under this Act on sales of gasohol is imposed at the
23 rate of 1.25%, then the tax imposed by this Act applies to 100%
24 of the proceeds of sales of gasohol made during that time.

25 With respect to mid-range ethanol blends, the tax imposed
26 by this Act applies to (i) 80% of the proceeds of sales made on

1 or after January 1, 2024 and on or before December 31, 2028 and
2 (ii) 100% of the proceeds of sales made thereafter. If, at any
3 time, however, the tax under this Act on sales of mid-range
4 ethanol blends is imposed at the rate of 1.25%, then the tax
5 imposed by this Act applies to 100% of the proceeds of sales of
6 mid-range ethanol blends made during that time.

7 With respect to majority blended ethanol fuel, the tax
8 imposed by this Act does not apply to the proceeds of sales
9 made on or after July 1, 2003 and on or before December 31,
10 2028 but applies to 100% of the proceeds of sales made
11 thereafter.

12 With respect to biodiesel blends with no less than 1% and
13 no more than 10% biodiesel, the tax imposed by this Act applies
14 to (i) 80% of the proceeds of sales made on or after July 1,
15 2003 and on or before December 31, 2018 and (ii) 100% of the
16 proceeds of sales made after December 31, 2018 and before
17 January 1, 2024. On and after January 1, 2024 and on or before
18 December 31, 2030, the taxation of biodiesel, renewable
19 diesel, and biodiesel blends shall be as provided in Section
20 3-5.1. If, at any time, however, the tax under this Act on
21 sales of biodiesel blends with no less than 1% and no more than
22 10% biodiesel is imposed at the rate of 1.25%, then the tax
23 imposed by this Act applies to 100% of the proceeds of sales of
24 biodiesel blends with no less than 1% and no more than 10%
25 biodiesel made during that time.

26 With respect to biodiesel and biodiesel blends with more

1 than 10% but no more than 99% biodiesel, the tax imposed by
2 this Act does not apply to the proceeds of sales made on or
3 after July 1, 2003 and on or before December 31, 2023. On and
4 after January 1, 2024 and on or before December 31, 2030, the
5 taxation of biodiesel, renewable diesel, and biodiesel blends
6 shall be as provided in Section 3-5.1.

7 ~~Until July 1, 2022 and beginning again on July 1, 2023,~~
8 ~~with respect to food for human consumption that is to be~~
9 ~~consumed off the premises where it is sold (other than~~
10 ~~alcoholic beverages, food consisting of or infused with adult~~
11 ~~use cannabis, soft drinks, and food that has been prepared for~~
12 ~~immediate consumption), the tax is imposed at the rate of 1%.~~
13 ~~Beginning on July 1, 2022 and until July 1, 2023, with respect~~
14 ~~to food for human consumption that is to be consumed off the~~
15 ~~premises where it is sold (other than alcoholic beverages,~~
16 ~~food consisting of or infused with adult use cannabis, soft~~
17 ~~drinks, and food that has been prepared for immediate~~
18 ~~consumption), the tax is imposed at the rate of 0%.~~

19 ~~With respect to prescription and nonprescription~~
20 ~~medicines, drugs, medical appliances, products classified as~~
21 ~~Class III medical devices by the United States Food and Drug~~
22 ~~Administration that are used for cancer treatment pursuant to~~
23 ~~a prescription, as well as any accessories and components~~
24 ~~related to those devices, modifications to a motor vehicle for~~
25 ~~the purpose of rendering it usable by a person with a~~
26 ~~disability, and insulin, blood sugar testing materials,~~

1 ~~syringes, and needles used by human diabetics, the tax is~~
2 ~~imposed at the rate of 1%.~~

3 With respect to the following items, the tax is imposed at
4 the rate of 1%:

5 (1) food for human consumption that is to be consumed
6 off the premises where it is sold (other than alcoholic
7 beverages, food consisting of or infused with adult use
8 cannabis, soft drinks, and food that has been prepared for
9 immediate consumption);

10 (2) prescription and nonprescription medicines, drugs,
11 and medical appliances;

12 (3) products classified as Class III medical devices
13 by the United States Food and Drug Administration that are
14 used for cancer treatment pursuant to a prescription, as
15 well as any accessories and components related to those
16 devices;

17 (4) modifications to a motor vehicle for the purpose
18 of rendering it usable by a person with a disability;

19 (5) insulin, blood sugar testing materials, syringes,
20 and needles used by human diabetics; and

21 (6) diapers and baby wipes.

22 For the purposes of this Section, until September 1, 2009:
23 the term "soft drinks" means any complete, finished,
24 ready-to-use, non-alcoholic drink, whether carbonated or not,
25 including, but not limited to, soda water, cola, fruit juice,
26 vegetable juice, carbonated water, and all other preparations

1 commonly known as soft drinks of whatever kind or description
2 that are contained in any closed or sealed bottle, can,
3 carton, or container, regardless of size; but "soft drinks"
4 does not include coffee, tea, non-carbonated water, infant
5 formula, milk or milk products as defined in the Grade A
6 Pasteurized Milk and Milk Products Act, or drinks containing
7 50% or more natural fruit or vegetable juice.

8 Notwithstanding any other provisions of this Act,
9 beginning September 1, 2009, "soft drinks" means non-alcoholic
10 beverages that contain natural or artificial sweeteners. "Soft
11 drinks" does not include beverages that contain milk or milk
12 products, soy, rice or similar milk substitutes, or greater
13 than 50% of vegetable or fruit juice by volume.

14 Until August 1, 2009, and notwithstanding any other
15 provisions of this Act, "food for human consumption that is to
16 be consumed off the premises where it is sold" includes all
17 food sold through a vending machine, except soft drinks and
18 food products that are dispensed hot from a vending machine,
19 regardless of the location of the vending machine. Beginning
20 August 1, 2009, and notwithstanding any other provisions of
21 this Act, "food for human consumption that is to be consumed
22 off the premises where it is sold" includes all food sold
23 through a vending machine, except soft drinks, candy, and food
24 products that are dispensed hot from a vending machine,
25 regardless of the location of the vending machine.

26 Notwithstanding any other provisions of this Act,

1 beginning September 1, 2009, "food for human consumption that
2 is to be consumed off the premises where it is sold" does not
3 include candy. For purposes of this Section, "candy" means a
4 preparation of sugar, honey, or other natural or artificial
5 sweeteners in combination with chocolate, fruits, nuts or
6 other ingredients or flavorings in the form of bars, drops, or
7 pieces. "Candy" does not include any preparation that contains
8 flour or requires refrigeration.

9 Notwithstanding any other provisions of this Act,
10 beginning September 1, 2009, "nonprescription medicines and
11 drugs" does not include grooming and hygiene products. For
12 purposes of this Section, "grooming and hygiene products"
13 includes, but is not limited to, soaps and cleaning solutions,
14 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
15 lotions and screens, unless those products are available by
16 prescription only, regardless of whether the products meet the
17 definition of "over-the-counter-drugs". For the purposes of
18 this paragraph, "over-the-counter-drug" means a drug for human
19 use that contains a label that identifies the product as a drug
20 as required by 21 CFR 201.66. The "over-the-counter-drug"
21 label includes:

22 (A) a "Drug Facts" panel; or

23 (B) a statement of the "active ingredient(s)" with a
24 list of those ingredients contained in the compound,
25 substance or preparation.

26 Beginning on January 1, 2014 (the effective date of Public

1 Act 98-122), "prescription and nonprescription medicines and
2 drugs" includes medical cannabis purchased from a registered
3 dispensing organization under the Compassionate Use of Medical
4 Cannabis Program Act.

5 As used in this Section, "adult use cannabis" means
6 cannabis subject to tax under the Cannabis Cultivation
7 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
8 and does not include cannabis subject to tax under the
9 Compassionate Use of Medical Cannabis Program Act.

10 If the property that is purchased at retail from a
11 retailer is acquired outside Illinois and used outside
12 Illinois before being brought to Illinois for use here and is
13 taxable under this Act, the "selling price" on which the tax is
14 computed shall be reduced by an amount that represents a
15 reasonable allowance for depreciation for the period of prior
16 out-of-state use.

17 (Source: P.A. 102-4, eff. 4-27-21; 102-700, Article 20,
18 Section 20-5, eff. 4-19-22; 102-700, Article 60, Section
19 60-15, eff. 4-19-22; 102-700, Article 65, Section 65-5, eff.
20 4-19-22; 103-9, eff. 6-7-23; 103-154 eff. 6-30-23.)

21 Section 10. The Service Use Tax Act is amended by changing
22 Section 3-10 as follows:

23 (35 ILCS 110/3-10) (from Ch. 120, par. 439.33-10)

24 Sec. 3-10. Rate of tax. Unless otherwise provided in this

1 Section, the tax imposed by this Act is at the rate of 6.25% of
2 the selling price of tangible personal property transferred as
3 an incident to the sale of service, but, for the purpose of
4 computing this tax, in no event shall the selling price be less
5 than the cost price of the property to the serviceman.

6 Beginning on July 1, 2000 and through December 31, 2000,
7 with respect to motor fuel, as defined in Section 1.1 of the
8 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
9 the Use Tax Act, the tax is imposed at the rate of 1.25%.

10 With respect to gasohol, as defined in the Use Tax Act, the
11 tax imposed by this Act applies to (i) 70% of the selling price
12 of property transferred as an incident to the sale of service
13 on or after January 1, 1990, and before July 1, 2003, (ii) 80%
14 of the selling price of property transferred as an incident to
15 the sale of service on or after July 1, 2003 and on or before
16 July 1, 2017, (iii) 100% of the selling price of property
17 transferred as an incident to the sale of service after July 1,
18 2017 and before January 1, 2024, (iv) 90% of the selling price
19 of property transferred as an incident to the sale of service
20 on or after January 1, 2024 and on or before December 31, 2028,
21 and (v) 100% of the selling price of property transferred as an
22 incident to the sale of service after December 31, 2028. If, at
23 any time, however, the tax under this Act on sales of gasohol,
24 as defined in the Use Tax Act, is imposed at the rate of 1.25%,
25 then the tax imposed by this Act applies to 100% of the
26 proceeds of sales of gasohol made during that time.

1 With respect to mid-range ethanol blends, as defined in
2 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
3 applies to (i) 80% of the selling price of property
4 transferred as an incident to the sale of service on or after
5 January 1, 2024 and on or before December 31, 2028 and (ii)
6 100% of the selling price of property transferred as an
7 incident to the sale of service after December 31, 2028. If, at
8 any time, however, the tax under this Act on sales of mid-range
9 ethanol blends is imposed at the rate of 1.25%, then the tax
10 imposed by this Act applies to 100% of the selling price of
11 mid-range ethanol blends transferred as an incident to the
12 sale of service during that time.

13 With respect to majority blended ethanol fuel, as defined
14 in the Use Tax Act, the tax imposed by this Act does not apply
15 to the selling price of property transferred as an incident to
16 the sale of service on or after July 1, 2003 and on or before
17 December 31, 2028 but applies to 100% of the selling price
18 thereafter.

19 With respect to biodiesel blends, as defined in the Use
20 Tax Act, with no less than 1% and no more than 10% biodiesel,
21 the tax imposed by this Act applies to (i) 80% of the selling
22 price of property transferred as an incident to the sale of
23 service on or after July 1, 2003 and on or before December 31,
24 2018 and (ii) 100% of the proceeds of the selling price after
25 December 31, 2018 and before January 1, 2024. On and after
26 January 1, 2024 and on or before December 31, 2030, the

1 taxation of biodiesel, renewable diesel, and biodiesel blends
2 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
3 at any time, however, the tax under this Act on sales of
4 biodiesel blends, as defined in the Use Tax Act, with no less
5 than 1% and no more than 10% biodiesel is imposed at the rate
6 of 1.25%, then the tax imposed by this Act applies to 100% of
7 the proceeds of sales of biodiesel blends with no less than 1%
8 and no more than 10% biodiesel made during that time.

9 With respect to biodiesel, as defined in the Use Tax Act,
10 and biodiesel blends, as defined in the Use Tax Act, with more
11 than 10% but no more than 99% biodiesel, the tax imposed by
12 this Act does not apply to the proceeds of the selling price of
13 property transferred as an incident to the sale of service on
14 or after July 1, 2003 and on or before December 31, 2023. On
15 and after January 1, 2024 and on or before December 31, 2030,
16 the taxation of biodiesel, renewable diesel, and biodiesel
17 blends shall be as provided in Section 3-5.1 of the Use Tax
18 Act.

19 At the election of any registered serviceman made for each
20 fiscal year, sales of service in which the aggregate annual
21 cost price of tangible personal property transferred as an
22 incident to the sales of service is less than 35%, or 75% in
23 the case of servicemen transferring prescription drugs or
24 servicemen engaged in graphic arts production, of the
25 aggregate annual total gross receipts from all sales of
26 service, the tax imposed by this Act shall be based on the

1 serviceman's cost price of the tangible personal property
2 transferred as an incident to the sale of those services.

3 ~~Until July 1, 2022 and beginning again on July 1, 2023, the~~
4 ~~tax shall be imposed at the rate of 1% on food prepared for~~
5 ~~immediate consumption and transferred incident to a sale of~~
6 ~~service subject to this Act or the Service Occupation Tax Act~~
7 ~~by an entity licensed under the Hospital Licensing Act, the~~
8 ~~Nursing Home Care Act, the Assisted Living and Shared Housing~~
9 ~~Act, the ID/DD Community Care Act, the MC/DD Act, the~~
10 ~~Specialized Mental Health Rehabilitation Act of 2013, or the~~
11 ~~Child Care Act of 1969, or an entity that holds a permit issued~~
12 ~~pursuant to the Life Care Facilities Act. Until July 1, 2022~~
13 ~~and beginning again on July 1, 2023, the tax shall also be~~
14 ~~imposed at the rate of 1% on food for human consumption that is~~
15 ~~to be consumed off the premises where it is sold (other than~~
16 ~~alcoholic beverages, food consisting of or infused with adult~~
17 ~~use cannabis, soft drinks, and food that has been prepared for~~
18 ~~immediate consumption and is not otherwise included in this~~
19 ~~paragraph).~~

20 ~~Beginning on July 1, 2022 and until July 1, 2023, the tax~~
21 ~~shall be imposed at the rate of 0% on food prepared for~~
22 ~~immediate consumption and transferred incident to a sale of~~
23 ~~service subject to this Act or the Service Occupation Tax Act~~
24 ~~by an entity licensed under the Hospital Licensing Act, the~~
25 ~~Nursing Home Care Act, the Assisted Living and Shared Housing~~
26 ~~Act, the ID/DD Community Care Act, the MC/DD Act, the~~

1 ~~Specialized Mental Health Rehabilitation Act of 2013, or the~~
2 ~~Child Care Act of 1969, or an entity that holds a permit issued~~
3 ~~pursuant to the Life Care Facilities Act. Beginning on July 1,~~
4 ~~2022 and until July 1, 2023, the tax shall also be imposed at~~
5 ~~the rate of 0% on food for human consumption that is to be~~
6 ~~consumed off the premises where it is sold (other than~~
7 ~~alcoholic beverages, food consisting of or infused with adult~~
8 ~~use cannabis, soft drinks, and food that has been prepared for~~
9 ~~immediate consumption and is not otherwise included in this~~
10 ~~paragraph).~~

11 ~~The tax shall also be imposed at the rate of 1% on~~
12 ~~prescription and nonprescription medicines, drugs, medical~~
13 ~~appliances, products classified as Class III medical devices~~
14 ~~by the United States Food and Drug Administration that are~~
15 ~~used for cancer treatment pursuant to a prescription, as well~~
16 ~~as any accessories and components related to those devices,~~
17 ~~modifications to a motor vehicle for the purpose of rendering~~
18 ~~it usable by a person with a disability, and insulin, blood~~
19 ~~sugar testing materials, syringes, and needles used by human~~
20 ~~diabetics.~~

21 With respect to the following items, the tax is imposed at
22 the rate of 1%:

23 (1) food prepared for immediate consumption and
24 transferred incident to a sale of service subject to this
25 Act or the Service Occupation Tax Act by an entity
26 licensed under the Hospital Licensing Act, the Nursing

1 Home Care Act, the Assisted Living and Shared Housing Act,
2 the ID/DD Community Care Act, the MC/DD Act, the
3 Specialized Mental Health Rehabilitation Act of 2013, or
4 the Child Care Act of 1969, or an entity that holds a
5 permit issued pursuant to the Life Care Facilities Act;

6 (2) food for human consumption that is to be consumed
7 off the premises where it is sold (other than alcoholic
8 beverages, food consisting of or infused with adult use
9 cannabis, soft drinks, and food that has been prepared for
10 immediate consumption);

11 (3) prescription and nonprescription medicines, drugs,
12 and medical appliances;

13 (4) products classified as Class III medical devices
14 by the United States Food and Drug Administration that are
15 used for cancer treatment pursuant to a prescription, as
16 well as any accessories and components related to those
17 devices;

18 (5) modifications to a motor vehicle for the purpose
19 of rendering it usable by a person with a disability;

20 (6) insulin, blood sugar testing materials, syringes,
21 and needles used by human diabetics; and

22 (7) diapers and baby wipes.

23 For the purposes of this Section, until September 1, 2009:
24 the term "soft drinks" means any complete, finished,
25 ready-to-use, non-alcoholic drink, whether carbonated or not,
26 including, but not limited to, soda water, cola, fruit juice,

1 vegetable juice, carbonated water, and all other preparations
2 commonly known as soft drinks of whatever kind or description
3 that are contained in any closed or sealed bottle, can,
4 carton, or container, regardless of size; but "soft drinks"
5 does not include coffee, tea, non-carbonated water, infant
6 formula, milk or milk products as defined in the Grade A
7 Pasteurized Milk and Milk Products Act, or drinks containing
8 50% or more natural fruit or vegetable juice.

9 Notwithstanding any other provisions of this Act,
10 beginning September 1, 2009, "soft drinks" means non-alcoholic
11 beverages that contain natural or artificial sweeteners. "Soft
12 drinks" does not include beverages that contain milk or milk
13 products, soy, rice or similar milk substitutes, or greater
14 than 50% of vegetable or fruit juice by volume.

15 Until August 1, 2009, and notwithstanding any other
16 provisions of this Act, "food for human consumption that is to
17 be consumed off the premises where it is sold" includes all
18 food sold through a vending machine, except soft drinks and
19 food products that are dispensed hot from a vending machine,
20 regardless of the location of the vending machine. Beginning
21 August 1, 2009, and notwithstanding any other provisions of
22 this Act, "food for human consumption that is to be consumed
23 off the premises where it is sold" includes all food sold
24 through a vending machine, except soft drinks, candy, and food
25 products that are dispensed hot from a vending machine,
26 regardless of the location of the vending machine.

1 Notwithstanding any other provisions of this Act,
2 beginning September 1, 2009, "food for human consumption that
3 is to be consumed off the premises where it is sold" does not
4 include candy. For purposes of this Section, "candy" means a
5 preparation of sugar, honey, or other natural or artificial
6 sweeteners in combination with chocolate, fruits, nuts or
7 other ingredients or flavorings in the form of bars, drops, or
8 pieces. "Candy" does not include any preparation that contains
9 flour or requires refrigeration.

10 Notwithstanding any other provisions of this Act,
11 beginning September 1, 2009, "nonprescription medicines and
12 drugs" does not include grooming and hygiene products. For
13 purposes of this Section, "grooming and hygiene products"
14 includes, but is not limited to, soaps and cleaning solutions,
15 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
16 lotions and screens, unless those products are available by
17 prescription only, regardless of whether the products meet the
18 definition of "over-the-counter-drugs". For the purposes of
19 this paragraph, "over-the-counter-drug" means a drug for human
20 use that contains a label that identifies the product as a drug
21 as required by 21 CFR 201.66. The "over-the-counter-drug"
22 label includes:

23 (A) a "Drug Facts" panel; or

24 (B) a statement of the "active ingredient(s)" with a
25 list of those ingredients contained in the compound,
26 substance or preparation.

1 Beginning on January 1, 2014 (the effective date of Public
2 Act 98-122), "prescription and nonprescription medicines and
3 drugs" includes medical cannabis purchased from a registered
4 dispensing organization under the Compassionate Use of Medical
5 Cannabis Program Act.

6 As used in this Section, "adult use cannabis" means
7 cannabis subject to tax under the Cannabis Cultivation
8 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
9 and does not include cannabis subject to tax under the
10 Compassionate Use of Medical Cannabis Program Act.

11 If the property that is acquired from a serviceman is
12 acquired outside Illinois and used outside Illinois before
13 being brought to Illinois for use here and is taxable under
14 this Act, the "selling price" on which the tax is computed
15 shall be reduced by an amount that represents a reasonable
16 allowance for depreciation for the period of prior
17 out-of-state use.

18 (Source: P.A. 102-4, eff. 4-27-21; 102-16, eff. 6-17-21;
19 102-700, Article 20, Section 20-10, eff. 4-19-22; 102-700,
20 Article 60, Section 60-20, eff. 4-19-22; 103-9, eff. 6-7-23;
21 103-154, eff. 6-30-23.)

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

24 (35 ILCS 115/3-10) (from Ch. 120, par. 439.103-10)

1 Sec. 3-10. Rate of tax. Unless otherwise provided in this
2 Section, the tax imposed by this Act is at the rate of 6.25% of
3 the "selling price", as defined in Section 2 of the Service Use
4 Tax Act, of the tangible personal property. For the purpose of
5 computing this tax, in no event shall the "selling price" be
6 less than the cost price to the serviceman of the tangible
7 personal property transferred. The selling price of each item
8 of tangible personal property transferred as an incident of a
9 sale of service may be shown as a distinct and separate item on
10 the serviceman's billing to the service customer. If the
11 selling price is not so shown, the selling price of the
12 tangible personal property is deemed to be 50% of the
13 serviceman's entire billing to the service customer. When,
14 however, a serviceman contracts to design, develop, and
15 produce special order machinery or equipment, the tax imposed
16 by this Act shall be based on the serviceman's cost price of
17 the tangible personal property transferred incident to the
18 completion of the contract.

19 Beginning on July 1, 2000 and through December 31, 2000,
20 with respect to motor fuel, as defined in Section 1.1 of the
21 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
22 the Use Tax Act, the tax is imposed at the rate of 1.25%.

23 With respect to gasohol, as defined in the Use Tax Act, the
24 tax imposed by this Act shall apply to (i) 70% of the cost
25 price of property transferred as an incident to the sale of
26 service on or after January 1, 1990, and before July 1, 2003,

1 (ii) 80% of the selling price of property transferred as an
2 incident to the sale of service on or after July 1, 2003 and on
3 or before July 1, 2017, (iii) 100% of the selling price of
4 property transferred as an incident to the sale of service
5 after July 1, 2017 and prior to January 1, 2024, (iv) 90% of
6 the selling price of property transferred as an incident to
7 the sale of service on or after January 1, 2024 and on or
8 before December 31, 2028, and (v) 100% of the selling price of
9 property transferred as an incident to the sale of service
10 after December 31, 2028. If, at any time, however, the tax
11 under this Act on sales of gasohol, as defined in the Use Tax
12 Act, is imposed at the rate of 1.25%, then the tax imposed by
13 this Act applies to 100% of the proceeds of sales of gasohol
14 made during that time.

15 With respect to mid-range ethanol blends, as defined in
16 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
17 applies to (i) 80% of the selling price of property
18 transferred as an incident to the sale of service on or after
19 January 1, 2024 and on or before December 31, 2028 and (ii)
20 100% of the selling price of property transferred as an
21 incident to the sale of service after December 31, 2028. If, at
22 any time, however, the tax under this Act on sales of mid-range
23 ethanol blends is imposed at the rate of 1.25%, then the tax
24 imposed by this Act applies to 100% of the selling price of
25 mid-range ethanol blends transferred as an incident to the
26 sale of service during that time.

1 With respect to majority blended ethanol fuel, as defined
2 in the Use Tax Act, the tax imposed by this Act does not apply
3 to the selling price of property transferred as an incident to
4 the sale of service on or after July 1, 2003 and on or before
5 December 31, 2028 but applies to 100% of the selling price
6 thereafter.

7 With respect to biodiesel blends, as defined in the Use
8 Tax Act, with no less than 1% and no more than 10% biodiesel,
9 the tax imposed by this Act applies to (i) 80% of the selling
10 price of property transferred as an incident to the sale of
11 service on or after July 1, 2003 and on or before December 31,
12 2018 and (ii) 100% of the proceeds of the selling price after
13 December 31, 2018 and before January 1, 2024. On and after
14 January 1, 2024 and on or before December 31, 2030, the
15 taxation of biodiesel, renewable diesel, and biodiesel blends
16 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
17 at any time, however, the tax under this Act on sales of
18 biodiesel blends, as defined in the Use Tax Act, with no less
19 than 1% and no more than 10% biodiesel is imposed at the rate
20 of 1.25%, then the tax imposed by this Act applies to 100% of
21 the proceeds of sales of biodiesel blends with no less than 1%
22 and no more than 10% biodiesel made during that time.

23 With respect to biodiesel, as defined in the Use Tax Act,
24 and biodiesel blends, as defined in the Use Tax Act, with more
25 than 10% but no more than 99% biodiesel material, the tax
26 imposed by this Act does not apply to the proceeds of the

1 selling price of property transferred as an incident to the
2 sale of service on or after July 1, 2003 and on or before
3 December 31, 2023. On and after January 1, 2024 and on or
4 before December 31, 2030, the taxation of biodiesel, renewable
5 diesel, and biodiesel blends shall be as provided in Section
6 3-5.1 of the Use Tax Act.

7 At the election of any registered serviceman made for each
8 fiscal year, sales of service in which the aggregate annual
9 cost price of tangible personal property transferred as an
10 incident to the sales of service is less than 35%, or 75% in
11 the case of servicemen transferring prescription drugs or
12 servicemen engaged in graphic arts production, of the
13 aggregate annual total gross receipts from all sales of
14 service, the tax imposed by this Act shall be based on the
15 serviceman's cost price of the tangible personal property
16 transferred incident to the sale of those services.

17 ~~Until July 1, 2022 and beginning again on July 1, 2023, the~~
18 ~~tax shall be imposed at the rate of 1% on food prepared for~~
19 ~~immediate consumption and transferred incident to a sale of~~
20 ~~service subject to this Act or the Service Use Tax Act by an~~
21 ~~entity licensed under the Hospital Licensing Act, the Nursing~~
22 ~~Home Care Act, the Assisted Living and Shared Housing Act, the~~
23 ~~ID/DD Community Care Act, the MC/DD Act, the Specialized~~
24 ~~Mental Health Rehabilitation Act of 2013, or the Child Care~~
25 ~~Act of 1969, or an entity that holds a permit issued pursuant~~
26 ~~to the Life Care Facilities Act. Until July 1, 2022 and~~

1 ~~beginning again on July 1, 2023, the tax shall also be imposed~~
2 ~~at the rate of 1% on food for human consumption that is to be~~
3 ~~consumed off the premises where it is sold (other than~~
4 ~~alcoholic beverages, food consisting of or infused with adult~~
5 ~~use cannabis, soft drinks, and food that has been prepared for~~
6 ~~immediate consumption and is not otherwise included in this~~
7 ~~paragraph).~~

8 ~~Beginning on July 1, 2022 and until July 1, 2023, the tax~~
9 ~~shall be imposed at the rate of 0% on food prepared for~~
10 ~~immediate consumption and transferred incident to a sale of~~
11 ~~service subject to this Act or the Service Use Tax Act by an~~
12 ~~entity licensed under the Hospital Licensing Act, the Nursing~~
13 ~~Home Care Act, the Assisted Living and Shared Housing Act, the~~
14 ~~ID/DD Community Care Act, the MC/DD Act, the Specialized~~
15 ~~Mental Health Rehabilitation Act of 2013, or the Child Care~~
16 ~~Act of 1969, or an entity that holds a permit issued pursuant~~
17 ~~to the Life Care Facilities Act. Beginning July 1, 2022 and~~
18 ~~until July 1, 2023, the tax shall also be imposed at the rate~~
19 ~~of 0% on food for human consumption that is to be consumed off~~
20 ~~the premises where it is sold (other than alcoholic beverages,~~
21 ~~food consisting of or infused with adult use cannabis, soft~~
22 ~~drinks, and food that has been prepared for immediate~~
23 ~~consumption and is not otherwise included in this paragraph).~~

24 ~~The tax shall also be imposed at the rate of 1% on~~
25 ~~prescription and nonprescription medicines, drugs, medical~~
26 ~~appliances, products classified as Class III medical devices~~

1 ~~by the United States Food and Drug Administration that are~~
2 ~~used for cancer treatment pursuant to a prescription, as well~~
3 ~~as any accessories and components related to those devices,~~
4 ~~modifications to a motor vehicle for the purpose of rendering~~
5 ~~it usable by a person with a disability, and insulin, blood~~
6 ~~sugar testing materials, syringes, and needles used by human~~
7 ~~diabetics.~~

8 With respect to the following items, the tax is imposed at
9 the rate of 1%:

10 (1) food prepared for immediate consumption and
11 transferred incident to a sale of service subject to this
12 Act or the Service Occupation Tax Act by an entity
13 licensed under the Hospital Licensing Act, the Nursing
14 Home Care Act, the Assisted Living and Shared Housing Act,
15 the ID/DD Community Care Act, the MC/DD Act, the
16 Specialized Mental Health Rehabilitation Act of 2013, or
17 the Child Care Act of 1969, or an entity that holds a
18 permit issued pursuant to the Life Care Facilities Act;

19 (2) food for human consumption that is to be consumed
20 off the premises where it is sold (other than alcoholic
21 beverages, food consisting of or infused with adult use
22 cannabis, soft drinks, and food that has been prepared for
23 immediate consumption);

24 (3) prescription and nonprescription medicines, drugs,
25 and medical appliances;

26 (4) products classified as Class III medical devices

1 by the United States Food and Drug Administration that are
2 used for cancer treatment pursuant to a prescription, as
3 well as any accessories and components related to those
4 devices;

5 (5) modifications to a motor vehicle for the purpose
6 of rendering it usable by a person with a disability;

7 (6) insulin, blood sugar testing materials, syringes,
8 and needles used by human diabetics; and

9 (7) diapers and baby wipes.

10 For the purposes of this Section, until September 1, 2009:
11 the term "soft drinks" means any complete, finished,
12 ready-to-use, non-alcoholic drink, whether carbonated or not,
13 including, but not limited to, soda water, cola, fruit juice,
14 vegetable juice, carbonated water, and all other preparations
15 commonly known as soft drinks of whatever kind or description
16 that are contained in any closed or sealed can, carton, or
17 container, regardless of size; but "soft drinks" does not
18 include coffee, tea, non-carbonated water, infant formula,
19 milk or milk products as defined in the Grade A Pasteurized
20 Milk and Milk Products Act, or drinks containing 50% or more
21 natural fruit or vegetable juice.

22 Notwithstanding any other provisions of this Act,
23 beginning September 1, 2009, "soft drinks" means non-alcoholic
24 beverages that contain natural or artificial sweeteners. "Soft
25 drinks" does not include beverages that contain milk or milk
26 products, soy, rice or similar milk substitutes, or greater

1 than 50% of vegetable or fruit juice by volume.

2 Until August 1, 2009, and notwithstanding any other
3 provisions of this Act, "food for human consumption that is to
4 be consumed off the premises where it is sold" includes all
5 food sold through a vending machine, except soft drinks and
6 food products that are dispensed hot from a vending machine,
7 regardless of the location of the vending machine. Beginning
8 August 1, 2009, and notwithstanding any other provisions of
9 this Act, "food for human consumption that is to be consumed
10 off the premises where it is sold" includes all food sold
11 through a vending machine, except soft drinks, candy, and food
12 products that are dispensed hot from a vending machine,
13 regardless of the location of the vending machine.

14 Notwithstanding any other provisions of this Act,
15 beginning September 1, 2009, "food for human consumption that
16 is to be consumed off the premises where it is sold" does not
17 include candy. For purposes of this Section, "candy" means a
18 preparation of sugar, honey, or other natural or artificial
19 sweeteners in combination with chocolate, fruits, nuts or
20 other ingredients or flavorings in the form of bars, drops, or
21 pieces. "Candy" does not include any preparation that contains
22 flour or requires refrigeration.

23 Notwithstanding any other provisions of this Act,
24 beginning September 1, 2009, "nonprescription medicines and
25 drugs" does not include grooming and hygiene products. For
26 purposes of this Section, "grooming and hygiene products"

1 includes, but is not limited to, soaps and cleaning solutions,
2 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
3 lotions and screens, unless those products are available by
4 prescription only, regardless of whether the products meet the
5 definition of "over-the-counter-drugs". For the purposes of
6 this paragraph, "over-the-counter-drug" means a drug for human
7 use that contains a label that identifies the product as a drug
8 as required by 21 CFR 201.66. The "over-the-counter-drug"
9 label includes:

10 (A) a "Drug Facts" panel; or

11 (B) a statement of the "active ingredient(s)" with a
12 list of those ingredients contained in the compound,
13 substance or preparation.

14 Beginning on January 1, 2014 (the effective date of Public
15 Act 98-122), "prescription and nonprescription medicines and
16 drugs" includes medical cannabis purchased from a registered
17 dispensing organization under the Compassionate Use of Medical
18 Cannabis Program Act.

19 As used in this Section, "adult use cannabis" means
20 cannabis subject to tax under the Cannabis Cultivation
21 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
22 and does not include cannabis subject to tax under the
23 Compassionate Use of Medical Cannabis Program Act.

24 (Source: P.A. 102-4, eff. 4-27-21; 102-16, eff. 6-17-21;
25 102-700, Article 20, Section 20-15, eff. 4-19-22; 102-700,
26 Article 60, Section 60-25, eff. 4-19-22; 103-9, eff. 6-7-23;

1 103-154, eff. 6-30-23.)

2 Section 20. The Retailers' Occupation Tax Act is amended
3 by changing Section 2-10 as follows:

4 (35 ILCS 120/2-10)

5 Sec. 2-10. Rate of tax. Unless otherwise provided in this
6 Section, the tax imposed by this Act is at the rate of 6.25% of
7 gross receipts from sales of tangible personal property made
8 in the course of business.

9 Beginning on July 1, 2000 and through December 31, 2000,
10 with respect to motor fuel, as defined in Section 1.1 of the
11 Motor Fuel Tax Law, and gasohol, as defined in Section 3-40 of
12 the Use Tax Act, the tax is imposed at the rate of 1.25%.

13 Beginning on August 6, 2010 through August 15, 2010, and
14 beginning again on August 5, 2022 through August 14, 2022,
15 with respect to sales tax holiday items as defined in Section
16 2-8 of this Act, the tax is imposed at the rate of 1.25%.

17 Within 14 days after July 1, 2000 (the effective date of
18 Public Act 91-872), each retailer of motor fuel and gasohol
19 shall cause the following notice to be posted in a prominently
20 visible place on each retail dispensing device that is used to
21 dispense motor fuel or gasohol in the State of Illinois: "As of
22 July 1, 2000, the State of Illinois has eliminated the State's
23 share of sales tax on motor fuel and gasohol through December
24 31, 2000. The price on this pump should reflect the

1 elimination of the tax." The notice shall be printed in bold
2 print on a sign that is no smaller than 4 inches by 8 inches.
3 The sign shall be clearly visible to customers. Any retailer
4 who fails to post or maintain a required sign through December
5 31, 2000 is guilty of a petty offense for which the fine shall
6 be \$500 per day per each retail premises where a violation
7 occurs.

8 With respect to gasohol, as defined in the Use Tax Act, the
9 tax imposed by this Act applies to (i) 70% of the proceeds of
10 sales made on or after January 1, 1990, and before July 1,
11 2003, (ii) 80% of the proceeds of sales made on or after July
12 1, 2003 and on or before July 1, 2017, (iii) 100% of the
13 proceeds of sales made after July 1, 2017 and prior to January
14 1, 2024, (iv) 90% of the proceeds of sales made on or after
15 January 1, 2024 and on or before December 31, 2028, and (v)
16 100% of the proceeds of sales made after December 31, 2028. If,
17 at any time, however, the tax under this Act on sales of
18 gasohol, as defined in the Use Tax Act, is imposed at the rate
19 of 1.25%, then the tax imposed by this Act applies to 100% of
20 the proceeds of sales of gasohol made during that time.

21 With respect to mid-range ethanol blends, as defined in
22 Section 3-44.3 of the Use Tax Act, the tax imposed by this Act
23 applies to (i) 80% of the proceeds of sales made on or after
24 January 1, 2024 and on or before December 31, 2028 and (ii)
25 100% of the proceeds of sales made after December 31, 2028. If,
26 at any time, however, the tax under this Act on sales of

1 mid-range ethanol blends is imposed at the rate of 1.25%, then
2 the tax imposed by this Act applies to 100% of the proceeds of
3 sales of mid-range ethanol blends made during that time.

4 With respect to majority blended ethanol fuel, as defined
5 in the Use Tax Act, the tax imposed by this Act does not apply
6 to the proceeds of sales made on or after July 1, 2003 and on
7 or before December 31, 2028 but applies to 100% of the proceeds
8 of sales made thereafter.

9 With respect to biodiesel blends, as defined in the Use
10 Tax Act, with no less than 1% and no more than 10% biodiesel,
11 the tax imposed by this Act applies to (i) 80% of the proceeds
12 of sales made on or after July 1, 2003 and on or before
13 December 31, 2018 and (ii) 100% of the proceeds of sales made
14 after December 31, 2018 and before January 1, 2024. On and
15 after January 1, 2024 and on or before December 31, 2030, the
16 taxation of biodiesel, renewable diesel, and biodiesel blends
17 shall be as provided in Section 3-5.1 of the Use Tax Act. If,
18 at any time, however, the tax under this Act on sales of
19 biodiesel blends, as defined in the Use Tax Act, with no less
20 than 1% and no more than 10% biodiesel is imposed at the rate
21 of 1.25%, then the tax imposed by this Act applies to 100% of
22 the proceeds of sales of biodiesel blends with no less than 1%
23 and no more than 10% biodiesel made during that time.

24 With respect to biodiesel, as defined in the Use Tax Act,
25 and biodiesel blends, as defined in the Use Tax Act, with more
26 than 10% but no more than 99% biodiesel, the tax imposed by

1 this Act does not apply to the proceeds of sales made on or
2 after July 1, 2003 and on or before December 31, 2023. On and
3 after January 1, 2024 and on or before December 31, 2030, the
4 taxation of biodiesel, renewable diesel, and biodiesel blends
5 shall be as provided in Section 3-5.1 of the Use Tax Act.

6 ~~Until July 1, 2022 and beginning again on July 1, 2023,~~
7 ~~with respect to food for human consumption that is to be~~
8 ~~consumed off the premises where it is sold (other than~~
9 ~~alcoholic beverages, food consisting of or infused with adult~~
10 ~~use cannabis, soft drinks, and food that has been prepared for~~
11 ~~immediate consumption), the tax is imposed at the rate of 1%.~~
12 ~~Beginning July 1, 2022 and until July 1, 2023, with respect to~~
13 ~~food for human consumption that is to be consumed off the~~
14 ~~premises where it is sold (other than alcoholic beverages,~~
15 ~~food consisting of or infused with adult use cannabis, soft~~
16 ~~drinks, and food that has been prepared for immediate~~
17 ~~consumption), the tax is imposed at the rate of 0%.~~

18 ~~With respect to prescription and nonprescription~~
19 ~~medicines, drugs, medical appliances, products classified as~~
20 ~~Class III medical devices by the United States Food and Drug~~
21 ~~Administration that are used for cancer treatment pursuant to~~
22 ~~a prescription, as well as any accessories and components~~
23 ~~related to those devices, modifications to a motor vehicle for~~
24 ~~the purpose of rendering it usable by a person with a~~
25 ~~disability, and insulin, blood sugar testing materials,~~
26 ~~syringes, and needles used by human diabetics, the tax is~~

1 ~~imposed at the rate of 1%.~~

2 With respect to the following items, the tax is imposed at
3 the rate of 1%:

4 (1) food for human consumption that is to be consumed
5 off the premises where it is sold (other than alcoholic
6 beverages, food consisting of or infused with adult use
7 cannabis, soft drinks, and food that has been prepared for
8 immediate consumption);

9 (2) prescription and nonprescription medicines, drugs,
10 and medical appliances;

11 (3) products classified as Class III medical devices
12 by the United States Food and Drug Administration that are
13 used for cancer treatment pursuant to a prescription, as
14 well as any accessories and components related to those
15 devices;

16 (4) modifications to a motor vehicle for the purpose
17 of rendering it usable by a person with a disability;

18 (5) insulin, blood sugar testing materials, syringes,
19 and needles used by human diabetics; and

20 (6) diapers and baby wipes.

21 For the purposes of this Section, until September 1, 2009:
22 the term "soft drinks" means any complete, finished,
23 ready-to-use, non-alcoholic drink, whether carbonated or not,
24 including, but not limited to, soda water, cola, fruit juice,
25 vegetable juice, carbonated water, and all other preparations
26 commonly known as soft drinks of whatever kind or description

1 that are contained in any closed or sealed bottle, can,
2 carton, or container, regardless of size; but "soft drinks"
3 does not include coffee, tea, non-carbonated water, infant
4 formula, milk or milk products as defined in the Grade A
5 Pasteurized Milk and Milk Products Act, or drinks containing
6 50% or more natural fruit or vegetable juice.

7 Notwithstanding any other provisions of this Act,
8 beginning September 1, 2009, "soft drinks" means non-alcoholic
9 beverages that contain natural or artificial sweeteners. "Soft
10 drinks" does not include beverages that contain milk or milk
11 products, soy, rice or similar milk substitutes, or greater
12 than 50% of vegetable or fruit juice by volume.

13 Until August 1, 2009, and notwithstanding any other
14 provisions of this Act, "food for human consumption that is to
15 be consumed off the premises where it is sold" includes all
16 food sold through a vending machine, except soft drinks and
17 food products that are dispensed hot from a vending machine,
18 regardless of the location of the vending machine. Beginning
19 August 1, 2009, and notwithstanding any other provisions of
20 this Act, "food for human consumption that is to be consumed
21 off the premises where it is sold" includes all food sold
22 through a vending machine, except soft drinks, candy, and food
23 products that are dispensed hot from a vending machine,
24 regardless of the location of the vending machine.

25 Notwithstanding any other provisions of this Act,
26 beginning September 1, 2009, "food for human consumption that

1 is to be consumed off the premises where it is sold" does not
2 include candy. For purposes of this Section, "candy" means a
3 preparation of sugar, honey, or other natural or artificial
4 sweeteners in combination with chocolate, fruits, nuts or
5 other ingredients or flavorings in the form of bars, drops, or
6 pieces. "Candy" does not include any preparation that contains
7 flour or requires refrigeration.

8 Notwithstanding any other provisions of this Act,
9 beginning September 1, 2009, "nonprescription medicines and
10 drugs" does not include grooming and hygiene products. For
11 purposes of this Section, "grooming and hygiene products"
12 includes, but is not limited to, soaps and cleaning solutions,
13 shampoo, toothpaste, mouthwash, antiperspirants, and sun tan
14 lotions and screens, unless those products are available by
15 prescription only, regardless of whether the products meet the
16 definition of "over-the-counter-drugs". For the purposes of
17 this paragraph, "over-the-counter-drug" means a drug for human
18 use that contains a label that identifies the product as a drug
19 as required by 21 CFR 201.66. The "over-the-counter-drug"
20 label includes:

21 (A) a "Drug Facts" panel; or

22 (B) a statement of the "active ingredient(s)" with a
23 list of those ingredients contained in the compound,
24 substance or preparation.

25 Beginning on January 1, 2014 (the effective date of Public
26 Act 98-122), "prescription and nonprescription medicines and

1 drugs" includes medical cannabis purchased from a registered
2 dispensing organization under the Compassionate Use of Medical
3 Cannabis Program Act.

4 As used in this Section, "adult use cannabis" means
5 cannabis subject to tax under the Cannabis Cultivation
6 Privilege Tax Law and the Cannabis Purchaser Excise Tax Law
7 and does not include cannabis subject to tax under the
8 Compassionate Use of Medical Cannabis Program Act.

9 (Source: P.A. 102-4, eff. 4-27-21; 102-700, Article 20,
10 Section 20-20, eff. 4-19-22; 102-700, Article 60, Section
11 60-30, eff. 4-19-22; 102-700, Article 65, Section 65-10, eff.
12 4-19-22; 103-9, eff. 6-7-23; 103-154, eff. 6-30-23.)