

1 AN ACT concerning taxes, amending named Acts.

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

4 Section 5. The Use Tax Act is amended by changing
5 Sections 3-5 and 3-50 as follows:

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

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

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

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

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

30 (4) Personal property purchased by a governmental body,
31 by a corporation, society, association, foundation, or

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

14 (5) A passenger car that is a replacement vehicle to the
15 extent that the purchase price of the car is subject to the
16 Replacement Vehicle Tax.

17 (6) Graphic arts machinery and equipment, including
18 repair and replacement parts, both new and used, and
19 including that manufactured on special order, certified by
20 the purchaser to be used primarily for graphic arts
21 production, and including machinery and equipment purchased
22 for lease.

23 (7) Farm chemicals.

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

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

31 (10) A motor vehicle of the first division, a motor
32 vehicle of the second division that is a self-contained motor
33 vehicle designed or permanently converted to provide living
34 quarters for recreational, camping, or travel use, with

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

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

27 Farm machinery and equipment shall include precision
28 farming equipment that is installed or purchased to be
29 installed on farm machinery and equipment including, but not
30 limited to, tractors, harvesters, sprayers, planters,
31 seeders, or spreaders. Precision farming equipment includes,
32 but is not limited to, soil testing sensors, computers,
33 monitors, software, global positioning and mapping systems,
34 and other such equipment.

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

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

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

24 (14) Oil field exploration, drilling, and production
25 equipment, including (i) rigs and parts of rigs, rotary rigs,
26 cable tool rigs, and workover rigs, (ii) pipe and tubular
27 goods, including casing and drill strings, (iii) pumps and
28 pump-jack units, (iv) storage tanks and flow lines, (v) any
29 individual replacement part for oil field exploration,
30 drilling, and production equipment, and (vi) machinery and
31 equipment purchased for lease; but excluding motor vehicles
32 required to be registered under the Illinois Vehicle Code.

33 (15) Photoprocessing machinery and equipment, including
34 repair and replacement parts, both new and used, including

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

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

10 (17) Distillation machinery and equipment, sold as a
11 unit or kit, assembled or installed by the retailer,
12 certified by the user to be used only for the production of
13 ethyl alcohol that will be used for consumption as motor fuel
14 or as a component of motor fuel for the personal use of the
15 user, and not subject to sale or resale.

16 (18) Manufacturing and assembling machinery and
17 equipment used primarily in the process of manufacturing or
18 assembling tangible personal property for wholesale or retail
19 sale or lease, whether that sale or lease is made directly by
20 the manufacturer or by some other person, whether the
21 materials used in the process are owned by the manufacturer
22 or some other person, or whether that sale or lease is made
23 apart from or as an incident to the seller's engaging in the
24 service occupation of producing machines, tools, dies, jigs,
25 patterns, gauges, or other similar items of no commercial
26 value on special order for a particular purchaser.
27 Manufacturing and assembling machinery and equipment exempt
28 under this paragraph (18) includes computers, sensors,
29 software, and related equipment, including these items used
30 in computer-assisted design or computer assisted
31 manufacturing. This paragraph (18) is exempt from the
32 provisions of Section 3-90.

33 (19) Personal property delivered to a purchaser or
34 purchaser's donee inside Illinois when the purchase order for

1 that personal property was received by a florist located
2 outside Illinois who has a florist located inside Illinois
3 deliver the personal property.

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

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

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

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

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

32 (25) Beginning with taxable years ending on or after
33 December 31, 1995 and ending with taxable years ending on or
34 before December 31, 2004, personal property that is used in

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

11 (26) Beginning July 1, 1999, game or game birds
12 purchased at a "game breeding and hunting preserve area" or
13 an "exotic game hunting area" as those terms are used in the
14 Wildlife Code or at a hunting enclosure approved through
15 rules adopted by the Department of Natural Resources. This
16 paragraph is exempt from 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
21 Department to be organized and operated exclusively for
22 educational purposes. For purposes of this exemption, "a
23 corporation, limited liability company, society, association,
24 foundation, or institution organized and operated exclusively
25 for educational purposes" means all tax-supported public
26 schools, private schools that offer systematic instruction in
27 useful branches of learning by methods common to public
28 schools and that compare favorably in their scope and
29 intensity with the course of study presented in tax-supported
30 schools, and vocational or technical schools or institutes
31 organized and operated exclusively to provide a course of
32 study of not less than 6 weeks duration and designed to
33 prepare individuals to follow a trade or to pursue a manual,
34 technical, mechanical, industrial, business, or commercial

1 occupation.

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

15 This paragraph is exempt from the provisions of Section 3-90.

16 (29) Beginning January 1, 2000, new or used automatic
17 vending machines that prepare and serve hot food and
18 beverages, including coffee, soup, and other items, and
19 replacement parts for these machines. This paragraph is
20 exempt from the provisions of Section 3-90.

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

31 (Source: P.A. 90-14, eff. 7-1-97; 90-552, eff. 12-12-97;
32 90-605, eff. 6-30-98; 91-51, eff. 6-30-99; 91-200, eff.
33 7-20-99; 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644,
34 eff. 8-20-99; 91-901, eff. 1-1-01.)

1 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

2 Sec. 3-50. Manufacturing and assembly exemption. The
3 manufacturing and assembling machinery and equipment
4 exemption includes machinery and equipment that replaces
5 machinery and equipment in an existing manufacturing facility
6 as well as machinery and equipment that are for use in an
7 expanded or new manufacturing facility. The machinery and
8 equipment exemption also includes machinery and equipment
9 used in the general maintenance or repair of exempt machinery
10 and equipment or for in-house manufacture of exempt machinery
11 and equipment. For the purposes of this exemption, terms have
12 the following meanings:

13 (1) "Manufacturing process" means the production of
14 an article of tangible personal property, whether the
15 article is a finished product or an article for use in
16 the process of manufacturing or assembling a different
17 article of tangible personal property, by a procedure
18 commonly regarded as manufacturing, processing,
19 fabricating, or refining that changes some existing
20 material into a material with a different form, use, or
21 name. In relation to a recognized integrated business
22 composed of a series of operations that collectively
23 constitute manufacturing, or individually constitute
24 manufacturing operations, the manufacturing process
25 commences with the first operation or stage of production
26 in the series and does not end until the completion of
27 the final product in the last operation or stage of
28 production in the series. For purposes of this
29 exemption, photoprocessing is a manufacturing process of
30 tangible personal property for wholesale or retail sale.

31 (2) "Assembling process" means the production of an
32 article of tangible personal property, whether the
33 article is a finished product or an article for use in
34 the process of manufacturing or assembling a different

1 article of tangible personal property, by the combination
2 of existing materials in a manner commonly regarded as
3 assembling that results in an article or material of a
4 different form, use, or name.

5 (3) "Machinery" means major mechanical machines or
6 major components of those machines contributing to a
7 manufacturing or assembling process.

8 (4) "Equipment" includes an independent device or
9 tool separate from machinery but essential to an
10 integrated manufacturing or assembly process; including
11 ~~computers-used-primarily-in--operating--exempt--machinery~~
12 ~~and--equipment--in~~ a computer assisted design, computer
13 assisted manufacturing (CAD/CAM) system contributing to a
14 manufacturing or assembly process; any subunit or
15 assembly comprising a component of any machinery or
16 auxiliary, adjunct, or attachment parts of machinery,
17 such as tools, dies, jigs, fixtures, patterns, and molds;
18 and any parts that require periodic replacement in the
19 course of normal operation; but does not include hand
20 tools.

21 The manufacturing and assembling machinery and equipment
22 exemption includes the sale of materials to a purchaser who
23 produces exempted types of machinery, equipment, or tools and
24 who rents or leases that machinery, equipment, or tools to a
25 manufacturer of tangible personal property. This exemption
26 also includes the sale of materials to a purchaser who
27 manufactures those materials into an exempted type of
28 machinery, equipment, or tools that the purchaser uses
29 himself or herself in the manufacturing of tangible personal
30 property. This exemption includes the sale of exempted types
31 of machinery or equipment to a purchaser who is not the
32 manufacturer, but who rents or leases the use of the property
33 to a manufacturer. The purchaser of the machinery and
34 equipment who has an active resale registration number shall

1 furnish that number to the seller at the time of purchase. A
2 user of the machinery, equipment, or tools without an active
3 resale registration number shall prepare a certificate of
4 exemption for each transaction stating facts establishing the
5 exemption for that transaction, and that certificate shall be
6 available to the Department for inspection or audit. The
7 Department shall prescribe the form of the certificate.
8 Informal rulings, opinions, or letters issued by the
9 Department in response to an inquiry or request for an
10 opinion from any person regarding the coverage and
11 applicability of this exemption to specific devices shall be
12 published, maintained as a public record, and made available
13 for public inspection and copying. If the informal ruling,
14 opinion, or letter contains trade secrets or other
15 confidential information, where possible, the Department
16 shall delete that information before publication. Whenever
17 informal rulings, opinions, or letters contain a policy of
18 general applicability, the Department shall formulate and
19 adopt that policy as a rule in accordance with the Illinois
20 Administrative Procedure Act.

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

22 Section 10. The Retailers' Occupation Tax Act is amended
23 by changing Sections 2-5 and 2-45 as follows:

24 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

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

- 28 (1) Farm chemicals.
- 29 (2) Farm machinery and equipment, both new and used,
30 including that manufactured on special order, certified by
31 the purchaser to be used primarily for production agriculture
32 or State or federal agricultural programs, including

1 individual replacement parts for the machinery and equipment,
2 including machinery and equipment purchased for lease, and
3 including implements of husbandry defined in Section 1-130 of
4 the Illinois Vehicle Code, farm machinery and agricultural
5 chemical and fertilizer spreaders, and nurse wagons required
6 to be registered under Section 3-809 of the Illinois Vehicle
7 Code, but excluding other motor vehicles required to be
8 registered under the Illinois Vehicle Code. Horticultural
9 polyhouses or hoop houses used for propagating, growing, or
10 overwintering plants shall be considered farm machinery and
11 equipment under this item (2). Agricultural chemical tender
12 tanks and dry boxes shall include units sold separately from
13 a motor vehicle required to be licensed and units sold
14 mounted on a motor vehicle required to be licensed, if the
15 selling price of the 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,
20 seeders, or spreaders. Precision farming equipment includes,
21 but is not limited to, soil testing sensors, computers,
22 monitors, software, global positioning and mapping systems,
23 and other such equipment.

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

32 (3) Distillation machinery and equipment, sold as a unit
33 or kit, assembled or installed by the retailer, certified by
34 the user to be used only for the production of ethyl alcohol

1 that will be used for consumption as motor fuel or as a
2 component of motor fuel for the personal use of the user, and
3 not subject to sale or resale.

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

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

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

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

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

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

1 organizations include, but are not limited to, music and
2 dramatic arts organizations such as symphony orchestras and
3 theatrical groups, arts and cultural service organizations,
4 local arts councils, visual arts organizations, and media
5 arts organizations.

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

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

27 (12) Personal property sold to interstate carriers for
28 hire for use as rolling stock moving in interstate commerce
29 or to lessors under leases of one year or longer executed or
30 in effect at the time of purchase by interstate carriers for
31 hire for use as rolling stock moving in interstate commerce
32 and equipment operated by a telecommunications provider,
33 licensed as a common carrier by the Federal Communications
34 Commission, which is permanently installed in or affixed to

1 aircraft moving in interstate commerce.

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

10 (14) Machinery and equipment that will be used by the
11 purchaser, or a lessee of the purchaser, primarily in the
12 process of manufacturing or assembling tangible personal
13 property for wholesale or retail sale or lease, whether the
14 sale or lease is made directly by the manufacturer or by some
15 other person, whether the materials used in the process are
16 owned by the manufacturer or some other person, or whether
17 the sale or lease is made apart from or as an incident to the
18 seller's engaging in the service occupation of producing
19 machines, tools, dies, jigs, patterns, gauges, or other
20 similar items of no commercial value on special order for a
21 particular purchaser. Machinery and equipment exempt under
22 this paragraph (14) includes computers, sensors, software,
23 and related equipment, including these items used in
24 computer-assisted design or computer assisted manufacturing.
25 This paragraph (14) is exempt from the provisions of Section
26 2-70.

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

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

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

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

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

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

31 (21) Coal exploration, mining, offhighway hauling,
32 processing, maintenance, and reclamation equipment, including
33 replacement parts and equipment, and including equipment
34 purchased for lease, but excluding motor vehicles required to

1 be registered under the Illinois Vehicle Code.

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

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

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

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

30 (26) Semen used for artificial insemination of livestock
31 for direct agricultural production.

32 (27) Horses, or interests in horses, registered with and
33 meeting the requirements of any of the Arabian Horse Club
34 Registry of America, Appaloosa Horse Club, American Quarter

1 Horse Association, United States Trotting Association, or
2 Jockey Club, as appropriate, used for purposes of breeding or
3 racing for prizes.

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

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

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

27 (31) Beginning with taxable years ending on or after
28 December 31, 1995 and ending with taxable years ending on or
29 before December 31, 2004, personal property that is used in
30 the performance of infrastructure repairs in this State,
31 including but not limited to municipal roads and streets,
32 access roads, bridges, sidewalks, waste disposal systems,
33 water and sewer line extensions, water distribution and
34 purification facilities, storm water drainage and retention

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

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

12 (33) ~~(32)~~ A motor vehicle, as that term is defined in
13 Section 1-146 of the Illinois Vehicle Code, that is donated
14 to a corporation, limited liability company, society,
15 association, foundation, or institution that is determined by
16 the Department to be organized and operated exclusively for
17 educational purposes. For purposes of this exemption, "a
18 corporation, limited liability company, society, association,
19 foundation, or institution organized and operated exclusively
20 for educational purposes" means all tax-supported public
21 schools, private schools that offer systematic instruction in
22 useful branches of learning by methods common to public
23 schools and that compare favorably in their scope and
24 intensity with the course of study presented in tax-supported
25 schools, and vocational or technical schools or institutes
26 organized and operated exclusively to provide a course of
27 study of not less than 6 weeks duration and designed to
28 prepare individuals to follow a trade or to pursue a manual,
29 technical, mechanical, industrial, business, or commercial
30 occupation.

31 (34) ~~(33)~~ Beginning January 1, 2000, personal property,
32 including food, purchased through fundraising events for the
33 benefit of a public or private elementary or secondary
34 school, a group of those schools, or one or more school

1 districts if the events are sponsored by an entity recognized
 2 by the school district that consists primarily of volunteers
 3 and includes parents and teachers of the school children.
 4 This paragraph does not apply to fundraising events (i) for
 5 the benefit of private home instruction or (ii) for which the
 6 fundraising entity purchases the personal property sold at
 7 the events from another individual or entity that sold the
 8 property for the purpose of resale by the fundraising entity
 9 and that profits from the sale to the fundraising entity.
 10 This paragraph is exempt from the provisions of Section 2-70.

11 (35) ~~(32)~~ Beginning January 1, 2000, new or used
 12 automatic vending machines that prepare and serve hot food
 13 and beverages, including coffee, soup, and other items, and
 14 replacement parts for these machines. This paragraph is
 15 exempt from the provisions of Section 2-70.

16 (Source: P.A. 90-14, eff. 7-1-97; 90-519, eff. 6-1-98;
 17 90-552, eff. 12-12-97; 90-605, eff. 6-30-98; 91-51, eff.
 18 6-30-99; 91-200, eff. 7-20-99; 91-439, eff. 8-6-99; 91-533,
 19 eff. 8-13-99; 91-637, eff. 8-20-99; 91-644, eff. 8-20-99;
 20 revised 9-28-99.)

21 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

22 Sec. 2-45. Manufacturing and assembly exemption. The
 23 manufacturing and assembly machinery and equipment exemption
 24 includes machinery and equipment that replaces machinery and
 25 equipment in an existing manufacturing facility as well as
 26 machinery and equipment that are for use in an expanded or
 27 new manufacturing facility.

28 The machinery and equipment exemption also includes
 29 machinery and equipment used in the general maintenance or
 30 repair of exempt machinery and equipment or for in-house
 31 manufacture of exempt machinery and equipment. For the
 32 purposes of this exemption, terms have the following
 33 meanings:

1 (1) "Manufacturing process" means the production of
2 an article of tangible personal property, whether the
3 article is a finished product or an article for use in
4 the process of manufacturing or assembling a different
5 article of tangible personal property, by a procedure
6 commonly regarded as manufacturing, processing,
7 fabricating, or refining that changes some existing
8 material or materials into a material with a different
9 form, use, or name. In relation to a recognized
10 integrated business composed of a series of operations
11 that collectively constitute manufacturing, or
12 individually constitute manufacturing operations, the
13 manufacturing process commences with the first operation
14 or stage of production in the series and does not end
15 until the completion of the final product in the last
16 operation or stage of production in the series. For
17 purposes of this exemption, photoprocessing is a
18 manufacturing process of tangible personal property for
19 wholesale or retail sale.

20 (2) "Assembling process" means the production of an
21 article of tangible personal property, whether the
22 article is a finished product or an article for use in
23 the process of manufacturing or assembling a different
24 article of tangible personal property, by the combination
25 of existing materials in a manner commonly regarded as
26 assembling that results in a material of a different
27 form, use, or name.

28 (3) "Machinery" means major mechanical machines or
29 major components of those machines contributing to a
30 manufacturing or assembling process.

31 (4) "Equipment" includes an independent device or
32 tool separate from machinery but essential to an
33 integrated manufacturing or assembly process; including
34 computers-used-primarily-in--operating--exempt--machinery

1 and--equipment--in a computer assisted design, computer
2 assisted manufacturing (CAD/CAM) system contributing to a
3 manufacturing or assembly process; any subunit or
4 assembly comprising a component of any machinery or
5 auxiliary, adjunct, or attachment parts of machinery,
6 such as tools, dies, jigs, fixtures, patterns, and molds;
7 and any parts that require periodic replacement in the
8 course of normal operation; but does not include hand
9 tools.

10 The manufacturing and assembling machinery and equipment
11 exemption includes the sale of materials to a purchaser who
12 produces exempted types of machinery, equipment, or tools and
13 who rents or leases that machinery, equipment, or tools to a
14 manufacturer of tangible personal property. This exemption
15 also includes the sale of materials to a purchaser who
16 manufactures those materials into an exempted type of
17 machinery, equipment, or tools that the purchaser uses
18 himself or herself in the manufacturing of tangible personal
19 property. The purchaser of the machinery and equipment who
20 has an active resale registration number shall furnish that
21 number to the seller at the time of purchase. A purchaser of
22 the machinery, equipment, and tools without an active resale
23 registration number shall furnish to the seller a certificate
24 of exemption for each transaction stating facts establishing
25 the exemption for that transaction, and that certificate
26 shall be available to the Department for inspection or audit.
27 Informal rulings, opinions, or letters issued by the
28 Department in response to an inquiry or request for an
29 opinion from any person regarding the coverage and
30 applicability of this exemption to specific devices shall be
31 published, maintained as a public record, and made available
32 for public inspection and copying. If the informal ruling,
33 opinion, or letter contains trade secrets or other
34 confidential information, where possible, the Department

1 shall delete that information before publication. Whenever
2 informal rulings, opinions, or letters contain a policy of
3 general applicability, the Department shall formulate and
4 adopt that policy as a rule in accordance with the Illinois
5 Administrative Procedure Act.

6 (Source: P.A. 91-51, eff. 6-30-99.)

7 Section 90. The State Mandates Act is amended by adding
8 Section 8.25 as follows:

9 (30 ILCS 805/8.25 new)

10 Sec. 8.25. Exempt mandate. Notwithstanding Sections 6
11 and 8 of this Act, no reimbursement by the State is required
12 for the implementation of any mandate created by this
13 amendatory Act of the 92nd General Assembly.