

HB291 INTRODUCED



1 HB291
2 IT8FZZZ-1
3 By Representatives Oliver, Sorrells, Smith, Wadsworth, Hurst,
4 Lipscomb, Shaw, Paschal, Robbins
5 RFD: Ways and Means Education
6 First Read: 05-Mar-24



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SYNOPSIS:

Under existing law, a physician who qualifies as a rural physician in a small or rural community with a small or rural hospital is entitled to a tax credit of \$5,000 each year for five years. This credit currently is repealed effective December 31, 2028.

This bill would repeal the existing rural physician income tax credit effective for tax years beginning after December 31, 2024, but would authorize a physician claiming the credit for the tax year ending on December 31, 2024, to claim the new physician income tax credit for the remainder of the five-year credit period if the physician qualifies under the new credit.

This bill would further provide a new rural physician income tax credit effective for tax years beginning on or after January 1, 2025, for four years, unless extended by act of the Legislature.

The bill would further define the requirements for residence and the definition of a "rural community."

The bill would require the Alabama Statewide Area Health Education Center Program Office to administer the program and to issue certificates to physicians who qualify for the tax credit.



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TO BE ENACTED

AN ACT

Relating to state income tax credits for rural physicians; to designate Sections 40-18-130, 40-18-131, 40-18-132, and 40-18-133, Code of Alabama 1975, as Division 1 of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975, and to repeal Division I of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975, including Section 40-18-133, as added by Act 2023-546 of the 2023 Regular Session, to repeal the income tax credit authorized for a rural physician under Division 1 effective December 31, 2024; to add Division 2 to Article 4A of Chapter 18, Title 40, Code of Alabama 1975, to further provide for a new rural physician income tax credit; to provide definitions; to modify the requirement for residence and practice in a rural community; to remove the requirement for hospital privileges in a rural community; and to require the Alabama Statewide Area Health Education Center Program Office, in consultation with the State Board of Medical Examiners, to certify physicians who qualify for the income tax credit.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1.(a) Sections 40-18-130, 40-18-131, 40-18-132, and 40-18-133, Code of Alabama 1975, shall be designated as Division 1 of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975, and are repealed effective December 31, 2024.

(b) The repealing of the incentives in subsection (a) shall only affect the availability of the tax credits after December 31, 2024, and shall not cause a reduction or



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57 suspension of any credits awarded on or prior to December 31,
58 2024.

59 (c) Notwithstanding subsection (a), any physician who
60 qualifies for and claims the credit under Division 1 of
61 Article 4A for the tax year ending on December 31, 2024, may
62 claim the credit under Division 1 for tax year 2024, and any
63 physician who claimed the credit for less than the five-year
64 credit period under Division 1 and also qualifies for the
65 credit under Division 2, may claim the credit under Division 2
66 for the remainder of the five-year credit period provided for
67 in Division 1. Any tax year prior to 2024 in which the
68 taxpayer claimed a credit under Division 1 shall be included
69 in the four-year limitation for which the taxpayer is eligible
70 to claim the credit under Division 2.

71 Section 2. Division 2 of Article 4A is added to Chapter
72 18 of Title 40, Code of Alabama 1975, commencing with Section
73 40-18-133, to read as follows:

74 Division 2.

75 §40-18-134

76 It is the intent of the Legislature to institute
77 programs that will make rural Alabama communities more
78 competitive in the recruitment and retention of physicians and
79 reduce inequities that rural communities have in the funding
80 and recruitment of physicians.

81 §40-18-134.1

82 For the purposes of this division, the following words
83 have the following meanings, respectively, unless the context
84 clearly indicates otherwise:



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85 (1) PRACTICES MEDICINE. The practice of medicine or
86 osteopathy as defined in Section 34-24-50.

87 (2) RURAL COMMUNITY. According to the most recent
88 federal decennial census, an area within a county having a
89 population of 50,000 or less inhabitants, that is one of the
90 following:

91 a. A municipality that has a population of 20,000 or
92 less inhabitants.

93 b. The unincorporated area of the county.

94 (3) RURAL PHYSICIAN. A physician licensed to practice
95 medicine in Alabama who lives in a rural community and
96 practices medicine in a rural community.

97 §40-18-134.2.

98 (a)(1) Except as provided in subdivision (2), for tax
99 year beginning on or after January 1, 2025, and ending
100 December 31, 2029, unless extended by an act of the
101 Legislature, a physician qualifying as a rural physician under
102 this division shall be allowed a credit against the tax
103 imposed by Section 40-18-2, in the sum of ten thousand dollars
104 (\$10,000) per tax year. The tax credit may be claimed for not
105 more than four tax years or, if a physician previously
106 qualified for a tax credit under Division 1 prior to its
107 repeal, for the number of years remaining under the five-year
108 credit period under Division 1, provided the physician
109 continues to qualify as a rural physician under this division.

110 (2) No tax credit may be claimed under this division by
111 a physician who previously claimed a rural physician tax
112 credit under Division 1 prior to its repeal, except a



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113 physician who claimed a tax credit under Division 1 for less
114 than the five years authorized under Division 1 prior to its
115 repeal and who is otherwise eligible to claim a credit under
116 Division 2, may claim a tax credit under Division 2 for the
117 remainder of the five-year credit period previously authorized
118 under Division 1.

119 (3) No tax credit shall be allowed under this division
120 by a physician who practiced in a rural community prior to
121 January 1, 2025, unless, after January 1, 2025, the physician
122 returns to practice in a rural community after having
123 practiced in a large or urban community or outside of Alabama
124 for at least three years.

125 (b) Prior to claiming a credit under this division, a
126 rural physician shall submit to the Alabama Statewide Area
127 Health Education Center Program Office, or its successor,
128 adequate information to substantiate that he or she qualifies
129 for the income tax credit. The Alabama Statewide Area Health
130 Education Center Program Office, upon review of the
131 documentation from the rural physician, shall make the
132 determination on whether the physician qualifies for the
133 credit and shall issue a certificate to the qualifying
134 physician. The certificate shall be submitted by the taxpayer
135 at the time of filing the return. Failure to submit the
136 required certificate to the Department of Revenue shall result
137 in the automatic denial of the credit.

138 (c) The Alabama Statewide Area Health Education Center
139 Program Office shall submit an annual informational report to
140 the Department of Revenue by January 31 of each year that



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141 lists all taxpayer issued certificates with information
142 required by the department for credit certification.

143 (d) Effective for tax years beginning after December
144 31, 2024, the Department of Revenue shall file an annual
145 informational report in accordance with Section 40-1-50 and
146 rules adopted under that section, for physicians who receive
147 the credit under this division.

148 (e) The Department of Revenue shall adopt any rules
149 necessary to implement and administer this division.

150 (f) The Alabama Board of Medical Examiners shall assist
151 the Alabama Statewide Area Health Education Center Program
152 Office in verifying the eligibility of physicians applying for
153 the credit.

154 (g) The Alabama Commission on the Evaluation of
155 Services shall consult with the Alabama Statewide Area Health
156 Education Center Program Office to develop performance metrics
157 and other measures of success to include in the annual report
158 required pursuant to subsection (d). During the 2030 fiscal
159 year, this incentive shall undergo an evaluation by the
160 Alabama Commission on the Evaluation of Services to determine
161 whether the program is impacting the determined measures of
162 success.

163 (h) The Alabama Commission on the Evaluation of
164 Services shall consult with the Alabama Statewide Area Health
165 Education Center Program Office to develop the appropriate
166 measures and methodology for conducting the needs assessment.

167 Section 3. This act shall become effective October 1,
168 2024.