

**HB115 INTRODUCED**



1 HB115

2 SL12N88-1

3 By Representatives Oliver, Starnes, Stubbs, Smith, Fidler,  
4 Paschal, Sells, Hammett, DuBose, Fincher, Wadsworth, Whorton,  
5 Bolton, Mooney, Lamb, Bedsole, Brown, Shaver, Rehm, Underwood,  
6 Givens, Harrison

7 RFD: Ways and Means Education

8 First Read: 13-Jan-26

9 PFD: 06-Jan-26



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## 3 SYNOPSIS:

4 Under existing law, a physician who qualifies as  
5 a rural physician in a small or rural community with a  
6 small or rural hospital is entitled to a tax credit of  
7 \$5,000 each year for five years. This credit is  
8 repealed effective December 31, 2028.

9 This bill would move up the termination date of  
10 the existing rural physician income tax credit to end  
11 with the tax year ending on December 31, 2026, but  
12 would authorize a physician claiming the credit for the  
13 tax year ending on December 31, 2026, to claim the new  
14 physician income tax credit for the remainder of the  
15 five-year credit period if the physician qualifies  
16 under the new credit.

17 This bill would further provide a new rural  
18 physician income tax credit effective for tax years  
19 beginning on or after January 1, 2027, for five years.

20 This bill would further define the requirements  
21 for residence and the definition of a "rural  
22 community."

23 This bill would also require the Alabama  
24 Statewide Area Health Education Center Program Office  
25 to administer the program and to issue certificates to  
26 physicians who qualify for the tax credit.

27

28 A BILL



## HB115 INTRODUCED

29 TO BE ENACTED

30 AN ACT

31 Relating to state income tax credits for rural  
32 physicians; to designate Sections 40-18-130, 40-18-131,  
33 40-18-132, and 40-18-133, Code of Alabama 1975, as Division 1  
34 of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975,  
35 and to move up the date of termination of the income tax  
36 credit authorized for a rural physician under Division 1 to be  
37 effective December 31, 2026; to add Division 2 to Article 4A  
38 of Chapter 18, Title 40, Code of Alabama 1975, to provide for  
39 a new rural physician income tax credit; to provide  
40 definitions; and to require the Alabama Statewide Area Health  
41 Education Center Program Office, in consultation with the  
42 State Board of Medical Examiners, to certify physicians who  
43 qualify for the new income tax credit.

44 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

45 Section 1. Sections 40-18-130, 40-18-131, 40-18-132,  
46 and 40-18-133, Code of Alabama 1975, are designated as  
47 Division 1 of Article 4A of Chapter 18 of Title 40, Code of  
48 Alabama 1975.

49 Section 2. Section 40-18-133, Code of Alabama 1975, is  
50 amended to read as follows:

51 "§40-18-133

52 (a) The Rural Physician Tax Credit, ~~under Division 1 of~~  
53 Article 4A, commencing with Section 40-18-130, Chapter 18, of  
54 Title 40, is ~~repealed~~ terminated effective December 31, ~~2028~~,  
55 ~~unless extended by an act of the Legislature prior to that~~  
56 ~~date for no more than five additional years~~ 2026.



## **HB115 INTRODUCED**

57 (b) The ~~repealing~~termination of the incentives in  
58 subsection (a) shall only affect the availability of the tax  
59 credits after December 31, ~~2028~~2026, and shall not cause a  
60 reduction or suspension of any credits awarded on or prior to  
61 December 31, 2026~~2028~~.

62                   Section 3. Division 2 of Article 4A, commencing with  
63   Section 40-18-134, is added to Chapter 18 of Title 40, Code of  
64   Alabama 1975, to read as follows:

65 Division 2.

66 § 40-18-134

67 It is the intent of the Legislature to institute  
68 programs that will make rural Alabama communities more  
69 competitive in the recruitment and retention of physicians and  
70 reduce inequities that rural communities have in the funding  
71 and recruitment of physicians.

72 §40-18-134.1

73 For the purposes of this division, the following words  
74 have the following meanings, respectively, unless the context  
75 clearly indicates otherwise:

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

81 a. A municipality that has a population of 20,000 or  
82 less inhabitants.

83 b. The unincorporated area of the county.

84 (3) RURAL PHYSICIAN. A physician licensed to practice



85 medicine in Alabama who lives in a rural community and  
86 practices medicine in a rural community.

87                   \$40-18-134.2

88                   (a) (1) Except as provided in subdivision (2), for tax  
89 years beginning on or after January 1, 2027, and ending  
90 December 31, 2031, a physician qualifying as a rural physician  
91 under this division shall be allowed a credit against the tax  
92 imposed by Section 40-18-2, in the sum of ten thousand dollars  
93 (\$10,000) per tax year. The tax credit under this subdivision  
94 may be claimed for not more than four tax years except as  
95 provided in subdivision (2).

96                   (2) No tax credit may be claimed under this division by  
97 a physician who previously claimed a rural physician tax  
98 credit under Division 1 prior to January 1, 2027, except a  
99 physician who claimed a tax credit under Division 1 for less  
100 than the five years authorized under Division 1 prior to  
101 January 1, 2026, and who is otherwise eligible to claim a  
102 credit under this division, may claim a tax credit under this  
103 division for the remainder of the five-year credit period  
104 previously authorized under Division 1.

105                   (3) No tax credit shall be allowed under this division  
106 by a physician who practiced in a rural community prior to  
107 January 1, 2027, unless on or after January 1, 2027, the  
108 physician returns to practice in a rural community after  
109 having practiced in a large or urban community or outside of  
110 Alabama for at least three years.

111                   (b) Prior to claiming a credit under this division, a  
112 rural physician shall submit to the Alabama Statewide Area



113 Health Education Center Program Office, or its successor,  
114 adequate information to substantiate that he or she qualifies  
115 for the income tax credit. The Alabama Statewide Area Health  
116 Education Center Program Office, upon review of the  
117 documentation from the rural physician, shall make the  
118 determination whether the physician qualifies for the credit  
119 and shall issue a certificate to the qualifying physician. The  
120 certificate shall be submitted by the taxpayer at the time of  
121 filing the return. Failure to submit the required certificate  
122 to the Department of Revenue shall result in the automatic  
123 denial of the credit.

124 (c) The Alabama Statewide Area Health Education Center  
125 Program Office shall submit an annual informational report to  
126 the Department of Revenue by January 31 of each year that  
127 lists all taxpayer issued certificates with information  
128 required by the department for credit certification.

129 (d) Effective for tax years beginning January 1, 2027,  
130 and ending December 31, 2031, the Department of Revenue shall  
131 file an annual informational report in accordance with Section  
132 40-1-50, and rules adopted under that section, for physicians  
133 who receive the credit under this division.

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

136 (f) The Alabama Board of Medical Examiners shall assist  
137 the Alabama Statewide Area Health Education Center Program  
138 Office in verifying the eligibility of physicians applying for  
139 the credit.

140 (g) The Alabama Commission on the Evaluation of

**HB115 INTRODUCED**



141 Services shall consult with the Alabama Statewide Area Health  
142 Education Center Program Office to develop performance metrics  
143 and other measures of success to include in the annual report  
144 required pursuant to subsection (d). During the 2031 fiscal  
145 year, this incentive shall undergo an evaluation by the  
146 Alabama Commission on the Evaluation of Services to determine  
147 whether the program is impacting the determined measures of  
148 success.

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

153 Section 4. This act shall become effective October 1,  
154 2026.