

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



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8 repealed effective December 31, 2028.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.

28 A BILL



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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 move up the date of termination of the income tax credit authorized for a rural physician under Division 1 to be effective December 31, 2026; to add Division 2 to Article 4A of Chapter 18, Title 40, Code of Alabama 1975, to provide for a new rural physician income tax credit; to provide definitions; 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 new income tax credit.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

"§40-18-133

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Tax Credit ~~under Division 1 of~~ Article 4A, commencing with Section 40-18-130, Chapter 18, of Title 40, is ~~repealed-terminated~~ effective December 31, ~~2028~~ ~~unless extended by an act of the Legislature prior to that~~ ~~date for no more than five additional years~~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



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

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

Division 2.

§40-18-134

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

§40-18-134.1

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

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

(2) RURAL COMMUNITY. According to the most recent federal census, an area within a county having a population of 75,000 or less inhabitants, that is one of the following:

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

b. The unincorporated area of the county.

(3) RURAL PHYSICIAN. A physician licensed to practice



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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



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

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

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

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

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

(g) The Alabama Commission on the Evaluation of



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

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

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