

1 HB285  
2 203905-2  
3 By Representatives Wadsworth, Oliver, Whorton and Hanes  
4 RFD: Ways and Means Education  
5 First Read: 20-FEB-20

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8 SYNOPSIS: Under existing law, a physician who  
9 qualifies as a rural physician in a small or rural  
10 community is entitled to a tax credit of \$5,000  
11 each year for five years.

12 This bill would terminate the existing rural  
13 physician income tax credit effective for any tax  
14 year ending on or before December 31, 2019, and  
15 would grandfather in physicians claiming the credit  
16 prior to that date.

17 This bill would further provide a new rural  
18 physicians income tax credit effective for tax year  
19 beginning after January 1, 2020. The bill would  
20 define practices, rural physician, and rural  
21 community. A rural community would be defined as a  
22 community that is not located in an urbanized area.  
23 The bill would require a rural physician to  
24 practice at least 30 hours per week in a rural  
25 community.

26 The bill would also extend the tax credit to  
27 seven years and would require the Department of

1 Public Health to issue certificates to physicians  
2 who qualify for the tax credit.

3  
4 A BILL  
5 TO BE ENTITLED  
6 AN ACT

7  
8 Relating to state income tax credits for rural  
9 physicians; to terminate the income tax credit authorized for  
10 a rural physician under Article 4A of Chapter 18, Title 40,  
11 Code of Alabama 1975, composed of Sections 40-18-130,  
12 40-18-131, and 40-18-132, Code of Alabama 1975, and to provide  
13 that any physician who claimed the credit or claims the credit  
14 under Article 4A for any tax year prior to December 31, 2019,  
15 may continue to claim the credit under Article 4A until the  
16 credit authorized for that physician expires; to add Article  
17 4A.1 to Chapter 18, Title 40, commencing with Section  
18 40-18-130.1, Code of Alabama 1975, to further provide for a  
19 rural physician income tax credit; to provide definitions; to  
20 modify the requirement for residence and practice in a rural  
21 community; to remove the requirement for hospital privileges  
22 in a rural hospital; to increase the number of years the  
23 income tax credit is granted; and to require the Department of  
24 Public Health to certify physicians who qualify for the income  
25 tax credit.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. (a) Any income tax credit authorized  
2 pursuant to Article 4A of Chapter 18, Title 40, Code of  
3 Alabama 1975, composed of Sections 40-18-130, 40-18-131, and  
4 40-18-132, Code of Alabama 1975, is terminated effective for  
5 tax years ending after December 31, 2019.

6           (b) Notwithstanding subsection (a), any physician  
7 who claimed the credit under Article 4A for any tax year prior  
8 to December 31, 2019, may continue to claim the credit under  
9 Article 4A, as it exists on the effective date of this act,  
10 until his or her period of credit expires.

11           Section 2. Article 4A.1 is added to Chapter 18 of  
12 Title 40, Code of Alabama 1975, commencing with Section  
13 40-18-130.1, to read as follows:

14           §40-18-130.1

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

20           §40-18-131.1

21           For the purposes of this article, the following  
22 words have the following meanings:

23           (1) PRACTICES. A physician who assesses, diagnoses,  
24 performs surgical procedures, treats, reports, or gives advice  
25 in a medical capacity in a medical facility, not including a  
26 personal residence, located in a rural community. Practicing  
27 includes prescribing medicines and signing any medical

1 certificate required for statutory purposes, such as death and  
2 cremation certificates.

3 (2) RURAL COMMUNITY. A community in Alabama that is  
4 not located in an urbanized area.

5 (3) RURAL PHYSICIAN. A physician licensed to  
6 practice medicine in Alabama who practices and resides in a  
7 rural community and practices medicine an annual average of at  
8 least 30 hours per week in the rural community.

9 §40-18-132.1

10 (a) (1) Beginning with the tax year beginning January  
11 1, 2020, and thereafter, a person qualifying as a rural  
12 physician who practices in a rural community may claim a  
13 credit against the tax imposed by Section 40-18-2, as follows:

14 a. If the physician lives and practices in the rural  
15 community, the tax credit shall be in the sum of \$10,000 each  
16 year.

17 b. If the physician practices in the rural  
18 community, but does not live there, the tax credit shall be in  
19 the sum of \$5,000 each year.

20 (2) No credit shall be allowed to a rural physician  
21 who, on the effective date of the act adding this section, is  
22 practicing in a rural community. No credit shall be allowed to  
23 a physician who previously practiced in a rural community  
24 unless, after the effective date of the act adding this  
25 section, that physician returns to practice in a rural  
26 community after having practiced in a urban community or  
27 outside of Alabama for at least three years.

1           (3) The tax credit may be claimed for not more than  
2 seven consecutive tax years.

3           (4) No credit may be claimed under this article by  
4 any physician who has previously claimed a rural physician tax  
5 credit under Article 4A prior to its termination, or  
6 otherwise.

7           (b) Prior to claiming a credit under this article, a  
8 rural physician who desires to be certified by the Department  
9 of Public Health shall submit to the Department of Public  
10 Health, or its designee, adequate information to substantiate  
11 that he or she qualifies for the income tax credit. The  
12 Department of Public Health, or its designee, upon review of  
13 the documentation from the rural physician, shall make the  
14 determination if the physician qualifies for the credit, and  
15 shall issue a certificate to the qualifying physician. No  
16 income tax credit shall be granted to a rural physician who  
17 does not obtain a certificate from the Department of Public  
18 Health, or its designee, prior to claiming the credit on his  
19 or her income tax return, and who does not attach the  
20 certificate to his or her income tax return at the time the  
21 credit is being claimed.

22           (c) Effective for tax years beginning after January  
23 1, 2020, the Department of Public Health, or its designee,  
24 shall file an annual informational report in accordance with  
25 Section 40-1-50 and rules adopted thereunder, for physicians  
26 receiving the credit under this article.

1           (d) The tax credit provided in this article shall be  
2 effective for tax years beginning after January 1, 2020, and  
3 shall continue through the 2023 tax year, unless extended by  
4 an act of the Legislature.

5           (e) Notwithstanding subsection (d), any physician  
6 who claimed the credit under Section 40-18-132.1 for any tax  
7 year prior to December 31, 2023, may continue to claim the  
8 credit until his or her period of credit expires.

9           (f) The Department of Revenue shall adopt any rules  
10 necessary to implement and administer this article.

11           Section 3. This act shall become effective  
12 immediately following its passage and approval by the  
13 Governor, or its otherwise becoming law.