

SB277 INTRODUCED



1 MP57H1-1

2 By Senators Stewart, Melson, Sessions, Williams, Hovey,
3 Kelley, Figures, Weaver, Beasley, Coleman, Carnley, Hatcher,
4 Livingston, Jones, Coleman-Madison, Price, Gudger, Smitherman

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6 RFD: Finance and Taxation Education

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9 2023 Regular Session



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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 bill would terminate the existing rural physician income tax credit effective for tax years beginning after December 31, 2023, but would authorize a physician claiming the credit for the tax year ending on December 31, 2023, to claim the credit for the remainder of the five-year credit period available under prior law.

This bill would further provide a new rural physician income tax credit effective for tax year beginning on or after January 1, 2024. The bill would define rural community.

The bill would require the State Board of Medical Examiners to issue certificates to physicians who qualify for the tax credit.

A BILL

TO BE ENACTED

AN ACT

Relating to state income tax credits for rural physicians; to designate Sections 40-18-130, 40-18-131, and



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29 40-18-132, Code of Alabama 1975, as Division 1 of Article 4A
30 of Chapter 18 of Title 40, Code of Alabama 1975; to terminate
31 the income tax credit authorized for a rural physician under
32 the existing Article 4A of Chapter 18, Title 40, Code of
33 Alabama 1975, effective December 31, 2023; to provide that any
34 physician who claimed the credit or claims the credit under
35 the existing Article 4A for the tax year ending on December
36 31, 2023, would be authorized to continue to claim the credit
37 under the prior law until the credit period authorized under
38 the prior law for that physician expires; to add Division 2 to
39 Article 4A of Chapter 18, Title 40, Code of Alabama 1975, to
40 further provide for a rural physician income tax credit; to
41 provide definitions; to modify the requirement for residence
42 and practice in a rural community; to remove the requirement
43 for hospital privileges in a rural community; and to require
44 the State Board of Medical Examiners to certify physicians who
45 qualify for the income tax credit.

46 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

47 Section 1. Sections 40-18-130, 40-18-131, and
48 40-18-132, Code of Alabama 1975, shall be designated as
49 Division 1 of Article 4A of Chapter 18 of Title 40, Code of
50 Alabama 1975.

51 Section 2.(a) Any income tax credit authorized pursuant
52 to Division 1 of Article 4A of Chapter 18, Title 40, composed
53 of Sections 40-18-130, 40-18-131, and 40-18-132, Code of
54 Alabama 1975, is terminated effective for tax years ending
55 after December 31, 2023, except as provided in subsection (b).

56 (b) Notwithstanding subsection (a), any physician who



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57 qualifies for and claims the credit under Division 1 of
58 Article 4A for the tax year ending on December 31, 2023, may
59 claim the credit under Division 1 for tax year 2023, and for
60 tax years thereafter up to the five-year credit period as
61 authorized under Division 1 for consecutive tax years. Any tax
62 year prior to 2023 in which the taxpayer claimed a credit
63 under Division 1 shall be included in the five-year limitation
64 for which the taxpayer is eligible to claim the credit.

65 (c) It is the intent of this section to authorize a
66 taxpayer eligible to claim the credit under Division 1 for the
67 2023 tax year to be grandfathered under Division 1 and
68 eligible to claim the tax credit for tax year 2023, and for
69 future tax years up to the five-year credit period authorized
70 under Division 1.

71 Section 3. 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 §40-18-133

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 §40-18-133.1

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 either of
90 the following:

91 a. A municipality that has a population of 15,000 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 §40-18-133.2.

98 (a)(1) Except as provided in subdivision (2), for tax
99 year beginning on or after January 1, 2024, and ending
100 December 31, 2028, unless extended by an act of the
101 Legislature, a physician newly qualifying as a rural physician
102 shall be allowed a credit against the tax imposed by Section
103 40-18-2, in the sum of five thousand dollars (\$5,000) per tax
104 year. The tax credit may be claimed for not more than five tax
105 years if the physician continues to qualify as a rural
106 physician.

107 (2) No tax credit may be claimed under this division by
108 a physician who previously claimed a rural physician tax
109 credit under Division 1 prior to its termination, or
110 otherwise.

111 (3) No tax credit shall be allowed under this division
112 by a physician who practiced in a rural community prior to



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113 January 1, 2024, unless, after January 1, 2024, the physician
114 returns to practice in a rural community after having
115 practiced in a large or urban community or outside of Alabama
116 for at least three years.

117 (b) Prior to claiming a credit under this division, a
118 rural physician shall submit to the State Board of Medical
119 Examiners, or its designee, adequate information to
120 substantiate that he or she qualifies for the income tax
121 credit. The board or its designee, upon review of the
122 documentation from the rural physician, shall make the
123 determination on whether he or she qualifies for the credit
124 and shall issue a certificate to the qualifying physician. The
125 certificate shall be submitted by the taxpayer at the time of
126 filing the return. Failure to submit the required certificate
127 to the Department of Revenue shall result in the automatic
128 denial of the credit.

129 (c) The State Board of Medical Examiners, or its
130 designee, shall submit an annual informational report to the
131 Department of Revenue by January 31 of each year that lists
132 all taxpayer issued certificates with information required by
133 the department for credit certification.

134 (d) Effective for tax years beginning after December
135 31, 2023, the Department of Revenue shall file an annual
136 informational report in accordance with Section 40-1-50 and
137 rules adopted under that section, for physicians who receive
138 the credit under this division.

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



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141 Section 4. This act shall become effective immediately
142 following its passage and approval by the Governor, or its
143 otherwise becoming law.