

SB223 INTRODUCED



1 SB223
2 QDDR541-1
3 By Senator Weaver
4 RFD: Finance and Taxation Education
5 First Read: 19-Mar-24



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SYNOPSIS:

This bill would set up a Rural Hospital Investment Program to function as an institutional conduit for financial support from the public for rural hospitals in the State of Alabama.

This bill would incentivize donations to rural hospitals by creating a tax credit for individuals and entities to offset their state income tax liability. Qualifying Hospitals would use the gifts to pay for their provision of acute care services to rural populations served by the hospitals. These funds may be used not only for direct care and operational expenses but may include expenditures to maintain or upgrade facilities.

This bill would establish a board within the Office of State Treasurer to determine the eligibility of qualifying rural hospitals to receive donations qualifying for the tax credit and to operate the program with the support of the Department of Revenue.

A BILL
TO BE ENTITLED
AN ACT



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29 Relating to rural healthcare; to provide for funding of
30 rural general acute care, critical access, and rural emergency
31 hospitals by creating the Rural Hospital Investment Program;
32 to establish the Rural Hospital Investment Program Board to
33 administer the program; to provide for a state income tax
34 credit in exchange for donations to rural general acute care,
35 critical access, and rural emergency hospitals; and to provide
36 for coordination with the Department of Revenue.

37 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

38 Section 1. This act, the purpose of which is to
39 generate additional funds for eligible rural general acute
40 care, critical access, and rural emergency hospitals to
41 strengthen their financial viability, shall be known and may
42 be cited as the "Rural Hospital Investment Act of 2024."

43 Section 2. For the purposes of this act, the following
44 terms have the following meanings:

45 (1) BOARD. The Rural Hospital Investment Program Board.

46 (2) DEPARTMENT. The Alabama Department of Revenue.

47 (3) ELIGIBLE RURAL HOSPITAL. A hospital that meets the
48 requirements as set out in Section 4 of this act.

49 (4) INCOME TAX LIABILITY. The amount of tax levied on
50 an individual's income for the tax year pursuant to Section
51 40-18-2, Code of Alabama 1975 and to any entity the amount of
52 tax levied on a taxpayer's income for the tax year pursuant to
53 Chapter 16 or Chapter 18 of Title 40, Code of Alabama, 1975.

54 (5) PROGRAM. The Rural Hospital Investment Program.

55 (6) QUALIFIED DONATION. An unrestricted transfer of
56 funds from a qualified donor to an eligible rural hospital.



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57 (7) QUALIFIED DONOR. Any person that makes a qualified
58 donation to an eligible rural hospital.

59 (8) RURAL HOSPITAL. A rural general acute care, rural
60 emergency, or critical access hospital determined to be
61 located in a rural area as set out in Section 4(2) of this
62 act.

63 (9) TAX YEAR. The calendar year for which annual income
64 is reported to the State of Alabama by a person that makes a
65 qualified donation.

66 Section 3. (a) The Rural Hospital Investment Program
67 Board is established within the Office of the State Treasurer
68 to oversee the development and operation of the Rural Hospital
69 Investment Program. The board shall consist of the following
70 members:

71 (1) The Governor, or his or her designee.

72 (2) The State Treasurer, or his or her designee.

73 (3) The Commissioner of Revenue, or his or her
74 designee.

75 (4) The Senate President Pro Tempore, or his or her
76 designee.

77 (5) The Speaker of the House of Representatives, or his
78 or her designee.

79 (6) Two representatives of the Alabama Hospital
80 Association, appointed by the association.

81 (b) Members shall be appointed within 30 days of the
82 effective date of this act.

83 (c) (1) The Alabama Hospital Association shall appoint
84 one initial member to the board for a term of two years and



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85 one initial member to the board for a term of four years.

86 (2) A member subsequently appointed to the board by the
87 Alabama Hospital Association shall serve for a term of four
88 years.

89 (3) A vacancy on the board of a representative of the
90 Alabama Hospital Association shall be filled by the Alabama
91 Hospital Association before the next scheduled meeting of the
92 board and the appointee shall serve for the remainder of the
93 unexpired term.

94 (d) Designees or appointees to the board shall be
95 inclusive and reflect the racial, gender, geographic, rural,
96 and economic diversity of the state.

97 (e) (1) No later than three months after the effective
98 date of this act the Governor shall call the first meeting of
99 the board, at which the members shall elect a chair.

100 (2) The board shall meet at least once a year in
101 Montgomery, Alabama, but thereafter shall meet as necessary to
102 conduct its business.

103 (3) A quorum for a meeting of the board shall be four
104 members.

105 (4) The board may meet by electronic means, so long as
106 there is a quorum of participating members.

107 (5) The legislative members of the board shall be
108 entitled to their legislative compensation, per diem, and
109 travel expenses for each day they attend a meeting of the
110 board pursuant to Section 49 of the Constitution of Alabama of
111 2022.

112 (6) The non-legislative members of the board shall



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113 serve without compensation but may be reimbursed for necessary
114 expenses in attending meetings of the board pursuant to the
115 policies of his or her respective designating or appointing
116 authority.

117 Section 4. In order to receive qualified donations as
118 an eligible rural hospital under the program, a health care
119 institution shall meet all of the following requirements:

120 (1) Be a rural general acute care hospital, a rural
121 emergency hospital, or a critical access hospital licensed by
122 the Alabama Department of Public Health pursuant to Section
123 22-21-22, Code of Alabama 1975.

124 (2) Be in a location considered to be a rural area
125 under the federal Centers for Medicare & Medicaid Services
126 eligibility definition of "rural" as verified through the
127 Rural Health Information website supported by the federal
128 Health Resources and Services Administration.

129 (3) Provide hospital services to both Medicaid and
130 Medicare participants without discrimination.

131 (4) Provide hospital services to indigent patients,
132 regardless of ability to pay.

133 (5) Be in compliance with all reports and audits
134 required by law.

135 (6) Submit to the board a written five-year plan that
136 describes the financial viability and stability of the
137 hospital, with a plan detailing how it would use qualified
138 donations under the program and update the written plan five
139 years after the initial plan is submitted and every five years
140 thereafter.



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141 Section 5. No later than November 1 of each year, the
142 board shall determine that a hospital is an eligible rural
143 hospital pursuant to Section 4 and shall do both of the
144 following:

145 (1) No later than December 1 of each year submit the
146 list of eligible rural hospitals to the Alabama Department of
147 Revenue.

148 (2) No later than December 31 of each year publish on
149 its website or on the department website a list of rural
150 hospitals eligible to receive qualified donations during the
151 next tax year.

152 Section 6. (a) An eligible rural hospital shall only
153 use qualified donations for the purpose of providing health
154 care to the residents of the area which it serves, which may
155 include not only operational expenditures, but also
156 expenditures for maintenance, capital upgrades, and
157 improvements.

158 (b) An eligible rural hospital may retain a person to
159 solicit or manage the qualified donations it receives for a
160 percentage fee of the qualified donations solicited or
161 managed, but total fees shall not exceed five percent of the
162 total amount of qualified donations received during a calendar
163 year.

164 (c) An eligible rural hospital shall file with the
165 board, no later than March 1 of each year, a report on a form
166 to be developed by the board that shall include all of the
167 following information:

168 (1) A schedule of each qualifying donation received



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169 during the preceding tax year which includes the amount,
170 identifies the qualified donor, and describes how the
171 qualified donation was or is planned to be spent.

172 (2) A schedule of payments made to any person during
173 the preceding tax year for the purpose of soliciting or
174 managing the qualified donations received.

175 Section 7. No later than the fourth quarter of each
176 calendar year, the board and the department shall prepare
177 jointly a report that at a minimum shall include all qualified
178 donations reported by eligible rural hospitals and all tax
179 credits claimed and approved for the preceding tax year, to be
180 provided to the Legislature no later than the fifth day of its
181 next regular session.

182 Section 8. (a) A taxpayer shall be allowed a tax credit
183 to offset income tax liability for each qualified donation.
184 The tax credit shall be provided as follows:

185 (1) In the case of a qualified donor who is a single
186 individual, a head of household, or married filing a separate
187 return, 100 percent of the amount donated in the initial tax
188 year and in each taxable year thereafter, with a contribution
189 limit each tax year of fifteen thousand dollars (\$15,000).

190 (2) In the case of qualified donors who are married,
191 filing a joint return, 100 percent of the amount donated in
192 the initial tax year and in each tax year thereafter, with a
193 contribution limit each tax year of thirty thousand dollars
194 (\$30,000).

195 (3)a. In the case of a qualified donor that is taxed as
196 a pass-through entity under subchapters S or K of the Internal



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197 Revenue Code, a limited liability company, or a professional
198 corporation, a contribution limit each tax year of four
199 hundred fifty thousand dollars (\$450,000).

200 b. The tax credit shall be taken by the taxpayer on a
201 pro rata basis according to an individual's percentage of
202 ownership in the entity or fifteen thousand dollars (\$15,000),
203 whichever is less. In the case of a qualified donor that is
204 taxed as a corporation under subchapter C of the Internal
205 Revenue Code, an amount each tax year not to exceed the amount
206 donated or 75 percent of the corporation's income tax
207 liability, whichever is less, with a contribution limit each
208 tax year of five hundred thousand dollars (\$500,000).

209 (c) (1) In no event shall the total amount of the tax
210 credit for a given tax year exceed the taxpayer's income tax
211 liability, or, for financial institutions, the state portion
212 of the taxpayer's income tax liability.

213 (2) Any unused tax credit may be carried forward for up
214 to three years following the qualified donation but shall not
215 be refundable or transferable.

216 (d) The income tax credit shall be effective January 1,
217 2025, for the 2025 tax year.

218 Section 9. (a) The statewide annual aggregate of the
219 tax credit allowed for qualified donations shall not exceed
220 the following amounts:

221 (1) Thirty-eight million dollars (\$38,000,000) in the
222 fiscal year ending September 30, 2025.

223 (2) Sixty million dollars (\$60,000,000) in the fiscal
224 year ending September 30, 2026.



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225 (3) Eighty million dollars (\$80,000,000) in the fiscal
226 year ending September 30, 2027, and for each fiscal year of
227 the State of Alabama thereafter.

228 (b) No more than two million dollars (\$2,000,000) shall
229 be contributed to any eligible rural hospital in any tax year,
230 to be limited by the annual aggregate amount applicable in
231 subsection (a).

232 (c) The department shall preapprove each qualified
233 donation for compliance with each applicable limit in
234 subsections (a) and (b).

235 Section 10. (a) The department shall adopt rules
236 pursuant to the Alabama Administrative Procedure Act necessary
237 to carry out the board's obligations and implement and
238 administer the tax credit as set out in this act.

239 (b) The board may retain an Alabama company to
240 publicize the program, including the development of
241 promotional and informational literature and a program website
242 for use by eligible rural hospitals and qualified donors.

243 Section 11. The state income tax credit created by this
244 act may also qualify for federal income tax credits or
245 deductions, but it is not intended for any qualified donation
246 under this act to automatically qualify for any federal income
247 tax credit or deduction.

248 Section 12. This act shall become effective on October
249 1, 2024.