



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

SYNOPSIS:

This bill would establish a Rural Hospital Investment Program to provide financial support 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, excise, premium, and utility tax liability. Qualifying hospitals would use these donations to pay for their provision of acute care services to rural populations served by the hospitals. These funds may be used for direct care and operational expenses, including expenditures to maintain or upgrade facilities.

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

A BILL  
TO BE ENTITLED  
AN ACT



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

38 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

39           Section 1. This act, the purpose of which is to  
40 generate additional funds for eligible rural general acute  
41 care, critical access, and rural emergency hospitals to  
42 strengthen their financial viability, shall be known and may  
43 be cited as the "Rural Hospital Investment Act of 2025."

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

46           (1) BOARD. The Rural Hospital Investment Program  
47 Board.

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

49           (3) ELIGIBLE RURAL HOSPITAL. A hospital that meets the  
50 requirements set out in Section 4.

51           (4) ELIGIBLE TAXES. Financial institution excise tax,  
52 income tax, insurance premium tax, and utility tax.

53           (5) FINANCIAL INSTITUTION EXCISE TAX. The taxes levied  
54 and collected pursuant to Chapter 16 of Title 40, Code of  
55 Alabama 1975.



56 (6) INCOME TAX. The taxes levied and collected  
57 pursuant to Chapter 18 of Title 40, Code of Alabama 1975.

58 (7) INSURANCE PREMIUM TAX. The taxes levied and  
59 collected pursuant to Chapter 4A of Title 27, Code of Alabama  
60 1975.

61 (8) PROGRAM. The Rural Hospital Investment Program.

62 (9) QUALIFIED DONATION. An unrestricted transfer of  
63 funds for eligible rural hospitals.

64 (10) QUALIFIED DONOR. Any person, third party, or  
65 organization that makes a qualified donation to an eligible  
66 rural hospital.

67 (11) RURAL HOSPITAL. A rural general acute care,  
68 rural emergency, or critical access hospital determined to be  
69 located in a rural area as set out in Section 4(2).

70 (12) TAX YEAR. The calendar year for which annual  
71 income is reported to the State of Alabama by a person that  
72 makes a qualified donation.

73 (13) THIRD PARTY. An entity classified as a  
74 tax-exempt nonprofit organization by the Internal Revenue  
75 Service that participates in soliciting, administering, or  
76 managing qualified donations for eligible rural hospitals.

77 (14) UTILITY TAX. The taxes levied and collected  
78 pursuant to Sections 40-21-82 through 40-21-107, Code of  
79 Alabama 1975.

80 Section 3. (a) The Rural Hospital Investment Program  
81 Board is established within the Office of the State Treasurer  
82 to oversee the development and operation of the Rural Hospital  
83 Investment Program. The board shall consist of the following



84 members:

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

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

87 (3) The Commissioner of Revenue, or his or her  
88 designee.

89 (4) The President Pro Tempore of the Senate, or his or  
90 her designee.

91 (5) The Speaker of the House of Representatives, or his  
92 or her designee.

93 (6) Two representatives of the Alabama Hospital  
94 Association, appointed by the association.

95 (7) Two representatives of business, appointed by the  
96 Business Council of Alabama.

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

99 (c) (1) The appointing authorities for the members  
100 appointed pursuant to subdivisions (a) (6) and (a) (7) shall  
101 each appoint one initial member to the board for a term of two  
102 years and one initial member to the board for a term of four  
103 years.

104 (2) Members subsequently appointed to the board  
105 pursuant to subdivisions (a) (6) and (a) (7) shall each serve  
106 for a term of four years.

107 (3) A vacancy on the board of a representative  
108 appointed pursuant to subdivisions (a) (6) and (a) (7) shall be  
109 filled by the respective appointing authority before the next  
110 scheduled meeting of the board and the appointee shall serve  
111 for the remainder of the unexpired term.



112 (d) Designees or appointees to the board shall be  
113 inclusive and reflect the racial, gender, geographic, urban,  
114 rural, and economic diversity of the state.

115 (e) (1) No later than two months after the effective  
116 date of this act, the Governor, or his or her designee, shall  
117 call the first meeting of the board, at which meeting the  
118 members shall elect a chair.

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

122 (3) A quorum for a meeting of the board shall be five  
123 members.

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

126 (5) The legislative members of the board shall be  
127 entitled to their legislative compensation, per diem, and  
128 travel expenses for each day they attend a meeting of the  
129 board pursuant to Section 49 of the Constitution of Alabama of  
130 2022.

131 (6) The nonlegislative members of the board shall serve  
132 without compensation but may be reimbursed for necessary  
133 expenses in attending meetings of the board pursuant to the  
134 policies of his or her respective appointing authority.

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

138 (1) Be a rural general acute care hospital, a rural  
139 emergency hospital, or a critical access hospital licensed by



140 the Alabama Department of Public Health pursuant to Section  
141 22-21-22, Code of Alabama 1975.

142 (2) Be in a location considered to be a rural area  
143 under the federal Centers for Medicare & Medicaid Services  
144 eligibility definition of "rural" as verified through the  
145 Federal Office of Rural Health Policy in the Rural Health  
146 Information website supported by the federal Health Resources  
147 and Services Administration.

148 (3) Provide hospital services to both Medicare and  
149 Medicaid participants without discrimination.

150 (4) Provide hospital services to indigent patients,  
151 regardless of ability to pay.

152 (5) Be in compliance with all reports and audits  
153 required by law.

154 (6) Submit to the board a written five-year plan that  
155 describes the financial viability and stability of the  
156 hospital, with a plan detailing how it would use qualified  
157 donations under the program and update the written plan five  
158 years after the initial plan is submitted and every five years  
159 thereafter.

160 Section 5. The board shall do all of the following:

161 (1) No later than November 1 of each year, determine if  
162 a hospital is an eligible rural hospital pursuant to Section  
163 4.

164 (2) No later than December 1 of each year, develop a  
165 list of eligible rural hospitals and include each hospital's  
166 demonstrated financial need as demonstrated in the hospital's  
167 written five-year plan and submit the list, including each



168 hospital's demonstrated financial need, to the Alabama  
169 Department of Revenue.

170 (3) No later than December 1 each year, publish on its  
171 website or on the department website the list of rural  
172 hospitals, including each hospital's demonstrated financial  
173 need, eligible to receive qualified donations during the next  
174 tax year.

175 Section 6. (a) An eligible rural hospital shall only  
176 use qualified donations for the purpose of providing health  
177 care to the residents of the area which it serves, which may  
178 include operational expenditures and expenditures for  
179 maintenance, capital upgrades, and improvements.

180 (b) An eligible rural hospital may retain a person,  
181 third party, or an organization to solicit or manage the  
182 qualified donations it receives for a percentage fee of the  
183 qualified donations solicited or managed, but total fees shall  
184 not exceed five percent of the total amount of qualified  
185 donations received during a calendar year.

186 (c) Any third party that participates in soliciting,  
187 advertising, or managing donations shall provide the complete  
188 list of eligible rural hospitals, including demonstrated  
189 financial needs as published by the department to any  
190 potential donor regardless of whether a third party has a  
191 relationship or agreement with an eligible rural hospital.

192 (d) Starting in March of tax year 2027, an eligible  
193 rural hospital shall file a report with the board, on a form  
194 to be provided by the board that shall include all of the  
195 following information:



196 (1) A schedule of each qualifying donation received  
197 during the preceding tax year, which includes the amount,  
198 identifies the qualified donors, and describes how the  
199 qualified donation was or is planned to be spent.

200 (2) A schedule of payments made to any person, third  
201 party, or organization during the preceding tax year for the  
202 purpose of soliciting or managing the qualified donations  
203 received.

204 (e) An eligible rural hospital shall report all  
205 donations received to the department within 30 days of the  
206 receipt of that donation.

207 Section 7. Annually, the board and the department shall  
208 jointly prepare a report that, at a minimum, includes all  
209 qualified donations reported by eligible rural hospitals and  
210 all tax credits claimed and approved pursuant to this act for  
211 the preceding tax year. This report shall be provided to the  
212 Legislature by the fifth day of the next regular session.

213 Section 8. (a) A taxpayer may claim a tax credit to  
214 offset eligible taxes for each qualified donation as provided  
215 in this section.

216 (1) For a donor who is a single individual, a head of  
217 household, or married, filing a separate return: an amount  
218 equal to 100 percent of the qualified donations to the  
219 taxpayer made during the tax year for which the credit is  
220 claimed, not to exceed fifteen thousand dollars (\$15,000).

221 (2) For a donor who is married, filing a joint return:  
222 100 percent of the qualified donations to the taxpayer made  
223 during the tax year for which the credit is claimed, not to





224 exceed thirty thousand dollars (\$30,000).

225 (3) a. For a donor that is taxed as a pass-through  
226 entity under subchapters S or K of the Internal Revenue Code,  
227 a limited liability company, or a professional corporation:  
228 100 percent of the qualified donations to the taxpayer made  
229 during the tax year for which the credit is claimed, not to  
230 exceed four hundred fifty thousand dollars (\$450,000).

231 b. The tax credit shall be taken by the taxpayer on a  
232 pro rata basis according to an individual's percentage of  
233 ownership in the entity or fifteen thousand dollars (\$15,000),  
234 whichever is less. In the case of a donor that is taxed as a  
235 corporation under the Internal Revenue Code, an amount equal  
236 to 100 percent or 75 percent of the corporation's income,  
237 excise, or insurance premium tax, not to exceed the amount of  
238 the corporation's income, excise, or insurance premium tax  
239 liability, whichever is less, with a contribution limit each  
240 tax year of five hundred thousand dollars (\$500,000).

241 (4) a. A credit for utility taxes may be claimed in an  
242 amount equal to 100 percent of total qualified donations  
243 during the taxable year for which the credit is claimed. In  
244 order to claim a credit against utility tax payments under  
245 this section, a taxpayer must have a utility tax direct pay  
246 permit from the department pursuant to its requirements. A  
247 taxpayer shall provide a copy of the utility tax direct pay  
248 permit to each utility provider from whom the taxpayer  
249 receives services. A taxpayer holding a direct pay permit  
250 shall notify the department of each qualified donation  
251 pursuant to the department's procedures. To the extent credits



252 are available, the department shall reserve credits for a  
253 taxpayer and provide written confirmation thereof.

254 b. Upon receipt of a qualified donation, the qualified  
255 rural hospital shall submit to the department certification of  
256 the donation received from a taxpayer under this subdivision  
257 pursuant to procedures established by the department within 30  
258 business days after receipt of each donation. Upon receipt of  
259 the certification from the recipient, the department shall  
260 provide written confirmation to the taxpayer within 30  
261 business days that the reserved credits of the taxpayer in the  
262 amounts of qualified donations actually made and not yet  
263 claimed are eligible to be utilized on its monthly utility tax  
264 direct pay return. A taxpayer may not utilize a credit against  
265 the utility tax until such time as the department provides the  
266 notification described in the previous sentence.

267 (b)(1) The total amount of the tax credit for a tax  
268 year may not exceed the taxpayer's tax liability or, for  
269 financial institutions, the state portion of the taxpayer's  
270 financial institution excise tax liability.

271 (2) Any unused tax credit may be carried forward for up  
272 to three years following the qualified donation but shall not  
273 be transferable.

274 (c)(1) The tax credits may be claimed beginning January  
275 1, 2026, for the 2026 tax year.

276 (2) Any unused tax credit may be carried forward for up  
277 to three years following the qualified donations but shall not  
278 be transferable.

279 Section 9. (a) The statewide annual aggregate of the



280 tax credit allowed for qualified donations shall not exceed  
281 the following amounts:

282 (1) Twenty million dollars (\$20,000,000) in the tax  
283 year ending December 31, 2026.

284 (2) Twenty-five million dollars (\$25,000,000) in the  
285 tax year ending December 31, 2027.

286 (3) Thirty million dollars (\$30,000,000) for all  
287 subsequent tax years.

288 (b) No more than seven hundred fifty thousand dollars  
289 (\$750,000) shall be contributed to any eligible rural hospital  
290 in the tax year ending December 31, 2026; one million dollars  
291 (\$1,000,000) for the tax year ending on December 31, 2027; and  
292 one million two hundred fifty thousand dollars (\$1,250,000)  
293 each year thereafter, to be limited by the annual aggregate  
294 amount applicable in subsection (a).

295 (c) In the event a qualified donor desires to make a  
296 contribution to an individual eligible rural hospital that has  
297 received the maximum amount of contributions for that year,  
298 the donor shall be provided, upon request to the board, the  
299 list of eligible rural hospitals and demonstrated financial  
300 needs that are still eligible to receive contributions that  
301 year.

302 (d) In the event a qualified donor desires to make a  
303 contribution to an individual eligible rural hospital that  
304 exceeds the maximum amount allowed for that year, the  
305 department shall not deny such desired contribution but shall  
306 approve the proportional amount of the desired contribution up  
307 to the eligible rural hospital's maximum amount of



308 contributions for that year and any remainder shall be  
309 attributed to an eligible rural hospital with high financial  
310 need that has not yet received the maximum amount of  
311 contributions for that year.

312 (e) In the event that a qualified donor desires to make  
313 a contribution to an unspecified or undesignated rural  
314 hospital, such donation shall be attributed to the eligible  
315 rural hospital with a high demonstrated financial need that  
316 has not yet received the maximum amount of contributions for  
317 that year, regardless of whether a third party has a  
318 relationship or agreement with any eligible rural hospital.

319 (f) The department shall preapprove each qualified  
320 donation for compliance with each applicable limit in  
321 subsections (a) and (b).

322 Section 10. (a) The department shall adopt rules  
323 pursuant to the Alabama Administrative Procedure Act on or  
324 before January 1, 2026, as necessary to administer and  
325 implement this act. The rules shall provide for all of the  
326 following:

327 (1) That the tax credits will not reduce the  
328 distribution for the Alabama Special Mental Health Fund.

329 (2) That the tax credits shall be awarded based on the  
330 order in which the credits are requested.

331 (b) The department shall prescribe the method by which  
332 the tax credits are to be issued to eligible taxpayers.

333 Section 11. (a) The State Treasurer shall adopt rules,  
334 on or before January 1, 2026, pursuant to the Alabama  
335 Administrative Procedure Act necessary to implement the



336 responsibilities of the board and this act.

337 (b) The board may retain an Alabama company to  
338 publicize the program, including the development of  
339 promotional and information literature and a program website  
340 for use by eligible rural hospitals and qualified donors.

341 Section 12. The tax credits created by this act may  
342 also qualify for federal income tax credits or deductions, but  
343 it is not intended for any qualified donation under this act  
344 to automatically qualify for any federal income tax credit or  
345 deduction.

346 Section 13. (a) The tax credits provided by this act  
347 may be claimed beginning January 1, 2026, for the 2026 tax  
348 year.

349 (b) Except as provided in Section 8(b)(2), no tax  
350 credit may be claimed after tax year 2028.

351 Section 14. This act shall become effective  
352 immediately.