



**House Ways and Means Education Reported Substitute
for HB86**

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A BILL
TO BE ENTITLED
AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

(2) DEPARTMENT. The Alabama Department of Revenue.



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

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

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

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

38 (7) INSURANCE PREMIUM TAX. The taxes levied and
39 collected pursuant to Chapter 4A of Title 27, Code of Alabama
40 1975.

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

42 (9) QUALIFIED DONATION. An unrestricted transfer of
43 funds for eligible rural hospitals.

44 (10) QUALIFIED DONOR. Any person, third party, or
45 organization that makes a qualified donation to an eligible
46 rural hospital.

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

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

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



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

60 Section 3. (a) The Rural Hospital Investment Program
61 Board is established within the Office of the State Treasurer
62 to oversee the development and operation of the Rural Hospital
63 Investment Program. The board shall consist of the following
64 members:

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

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

67 (3) The Commissioner of Revenue, or his or her
68 designee.

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

71 (5) The Speaker of the House of Representatives, or his
72 or her designee.

73 (6) Two representatives of the Alabama Hospital
74 Association, appointed by the association.

75 (7) Two representatives of business, appointed by the
76 Business Council of Alabama.

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

79 (c) (1) The appointing authorities for the members
80 appointed pursuant to subdivisions (a) (6) and (a) (7) shall
81 each appoint one initial member to the board for a term of two
82 years and one initial member to the board for a term of four
83 years.

84 (2) Members subsequently appointed to the board



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85 pursuant to subdivisions (a) (6) and (a) (7) shall each serve
86 for a term of four years.

87 (3) A vacancy on the board of a representative
88 appointed pursuant to subdivisions (a) (6) and (a) (7) shall be
89 filled by the respective appointing authority before the next
90 scheduled meeting of the board and the appointee shall serve
91 for the remainder of the unexpired term.

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

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

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

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

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

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

111 (6) The nonlegislative members of the board shall serve
112 without compensation but may be reimbursed for necessary



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113 expenses in attending meetings of the board pursuant to the
114 policies of his or her respective appointing authority.

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

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

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

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

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

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

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

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



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141 (1) No later than November 1 of each year, determine if
142 a hospital is an eligible rural hospital pursuant to Section
143 4.

144 (2) No later than December 1 of each year, develop a
145 list of eligible rural hospitals and include each hospital's
146 demonstrated financial need as demonstrated in the hospital's
147 written five-year plan and submit the list, including each
148 hospital's demonstrated financial need, to the Alabama
149 Department of Revenue.

150 (3) No later than December 1 each year, publish on its
151 website or on the department website the list of rural
152 hospitals, including each hospital's demonstrated financial
153 need, eligible to receive qualified donations during the next
154 tax year.

155 Section 6. (a) An eligible rural hospital shall only
156 use qualified donations for the purpose of providing health
157 care to the residents of the area which it serves, which may
158 include operational expenditures and expenditures for
159 maintenance, capital upgrades, and improvements.

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

166 (c) Any third party that participates in soliciting,
167 advertising, or managing donations shall provide the complete
168 list of eligible rural hospitals, including demonstrated



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169 financial needs as published by the department to any
170 potential donor regardless of whether a third party has a
171 relationship or agreement with an eligible rural hospital.

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

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

180 (2) A schedule of payments made to any person, third
181 party, or organization during the preceding tax year for the
182 purpose of soliciting or managing the qualified donations
183 received.

184 (e) An eligible rural hospital shall report all
185 donations received to the department within 30 days of the
186 receipt of that donation.

187 Section 7. Annually, the board and the department shall
188 jointly prepare a report that, at a minimum, includes all
189 qualified donations reported by eligible rural hospitals and
190 all tax credits claimed and approved pursuant to this act for
191 the preceding tax year. This report shall be provided to the
192 Legislature by the fifth day of the next regular session.

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

196 (1) For a donor who is a single individual, a head of



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197 household, or married, filing a separate return: an amount
198 equal to 100 percent of the qualified donations to the
199 taxpayer made during the tax year for which the credit is
200 claimed, not to exceed fifteen thousand dollars (\$15,000).

201 (2) For a donor who is married, filing a joint return:
202 100 percent of the qualified donations to the taxpayer made
203 during the tax year for which the credit is claimed, not to
204 exceed thirty thousand dollars (\$30,000).

205 (3) a. For a qualified donor that is taxed as an
206 electing pass-through entity under Section 40-18-24.4, Code of
207 Alabama 1975: 100 percent of the qualified donations to the
208 taxpayer made during the tax year for which the credit is
209 claimed, not to exceed four hundred fifty thousand dollars
210 (\$450,000).

211 b. The tax credit shall be taken by the taxpayer on a
212 pro rata basis according to the percentage of ownership in the
213 entity or the limitations set forth in this section, whichever
214 is less. In the case of a donor that is taxed as a corporation
215 under the Internal Revenue Code, an amount equal to 100
216 percent or 75 percent of the corporation's income, excise, or
217 insurance premium tax, not to exceed the amount of the
218 corporation's income, excise, or insurance premium tax
219 liability, whichever is less, with a contribution limit each
220 tax year of five hundred thousand dollars (\$500,000).

221 (4) a. A credit for utility taxes may be claimed in an
222 amount equal to 100 percent of total qualified donations
223 during the taxable year for which the credit is claimed. In
224 order to claim a credit against utility tax payments under



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225 this section, a taxpayer must have a utility tax direct pay
226 permit from the department pursuant to its requirements. A
227 taxpayer shall provide a copy of the utility tax direct pay
228 permit to each utility provider from whom the taxpayer
229 receives services. A taxpayer holding a direct pay permit
230 shall notify the department of each qualified donation
231 pursuant to the department's procedures. To the extent credits
232 are available, the department shall reserve credits for a
233 taxpayer and provide written confirmation thereof.

234 b. Upon receipt of a qualified donation, the recipient
235 shall submit to the department certification of the donation
236 received from a taxpayer under this subdivision pursuant to
237 procedures established by the department within 30 business
238 days after receipt of each donation. Upon receipt of the
239 certification from the recipient, the department shall provide
240 written confirmation to the taxpayer within 30 business days
241 that the reserved credits of the taxpayer in the amounts of
242 qualified donations actually made and not yet claimed are
243 eligible to be utilized on its monthly utility tax direct pay
244 return. A taxpayer may not utilize a credit against the
245 utility tax until such time as the department provides the
246 notification described in the previous sentence.

247 (b) (1) The total amount of the tax credit for a tax
248 year may not exceed the taxpayer's tax liability or, for
249 financial institutions, the state portion of the taxpayer's
250 financial institution excise tax liability.

251 (2) Any unused tax credit may be carried forward for up
252 to three years following the qualified donation but shall not



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253 be transferable.

254 (c) (1) The tax credits may be claimed beginning January
255 1, 2026, for the 2026 tax year.

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

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

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

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

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

268 (b) No more than seven hundred fifty thousand dollars
269 (\$750,000) shall be contributed to any eligible rural hospital
270 in the tax year ending December 31, 2026; one million dollars
271 (\$1,000,000) for the tax year ending on December 31, 2027; and
272 one million two hundred fifty thousand dollars (\$1,250,000)
273 each year thereafter, to be limited by the annual aggregate
274 amount applicable in subsection (a).

275 (c) In the event a qualified donor desires to make a
276 contribution to an individual eligible rural hospital that has
277 received the maximum amount of contributions for that year,
278 the donor shall be provided, upon request to the board, the
279 list of eligible rural hospitals and demonstrated financial
280 needs that are still eligible to receive contributions that



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281 year.

282 (d) In the event a qualified donor desires to make a
283 contribution to an individual eligible rural hospital that
284 exceeds the maximum amount allowed for that year, the
285 department shall not deny such desired contribution but shall
286 approve the proportional amount of the desired contribution up
287 to the eligible rural hospital's maximum amount of
288 contributions for that year and any remainder shall be
289 attributed to an eligible rural hospital with high financial
290 need that has not yet received the maximum amount of
291 contributions for that year.

292 (e) In the event that a qualified donor desires to make
293 a contribution to an unspecified or undesignated rural
294 hospital, such donation shall be attributed to the eligible
295 rural hospital with a high demonstrated financial need that
296 has not yet received the maximum amount of contributions for
297 that year, regardless of whether a third party has a
298 relationship or agreement with any eligible rural hospital.

299 (f) The department shall preapprove each qualified
300 donation for compliance with each applicable limit in
301 subsections (a) and (b).

302 Section 10. (a) The department shall adopt rules
303 pursuant to the Alabama Administrative Procedure Act on or
304 before January 1, 2026, as necessary to administer and
305 implement this act. The rules shall provide for all of the
306 following:

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



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

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

313 Section 11. (a) The State Treasurer shall adopt rules,
314 on or before January 1, 2026, pursuant to the Alabama
315 Administrative Procedure Act necessary to implement the
316 responsibilities of the board and this act.

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

321 Section 12. The tax credits created by this act may
322 also qualify for federal income tax credits or deductions, but
323 it is not intended for any qualified donation under this act
324 to automatically qualify for any federal income tax credit or
325 deduction.

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

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

331 Section 14. This act shall become effective
332 immediately.