

HB46 INTRODUCED



1 HB46
2 9RZHPBM-1
3 By Representative Oliver
4 RFD: Ways and Means Education
5 First Read: 04-Feb-25
6 PFD: 01-Oct-24



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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 This credit is repealed effective December 31, 2028.

This bill would move up the repeal date of the existing rural physician income tax credit to end with the tax year ending on December 31, 2025, but would authorize a physician claiming the credit for the tax year ending on December 31, 2025, to claim the new physician income tax credit for the remainder of the five-year credit period if the physician qualifies under the new credit.

This bill would further provide a new rural physician income tax credit effective for tax years beginning on or after January 1, 2026, for four years.

The bill would further define the requirements for residence and the definition of a "rural community."

The bill would require the Alabama Statewide Area Health Education Center Program Office to administer the program and to issue certificates to physicians who qualify for the tax credit.



HB46 INTRODUCED

29 TO BE ENACTED

30 AN ACT

31 Relating to state income tax credits for rural
32 physicians; to designate Sections 40-18-130, 40-18-131,
33 40-18-132, and 40-18-133, Code of Alabama 1975, as Division 1
34 of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975,
35 and to move up the repeal of the income tax credit authorized
36 for a rural physician under Division 1 to be effective
37 December 31, 2025; to add Division 2 to Article 4A of Chapter
38 18, Title 40, Code of Alabama 1975, to provide for a new rural
39 physician income tax credit; to provide definitions; and to
40 require the Alabama Statewide Area Health Education Center
41 Program Office, in consultation with the State Board of
42 Medical Examiners, to certify physicians who qualify for the
43 new income tax credit.

44 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

45 Section 1.(a) Sections 40-18-130, 40-18-131, 40-18-132,
46 and 40-18-133, Code of Alabama 1975, are designated as
47 Division 1 of Article 4A of Chapter 18 of Title 40, Code of
48 Alabama 1975.

49 Section 2. Section 40-18-133, Code of Alabama 1975, is
50 amended to read as follows:

51 "§40-18-133

52 (a) The Rural Physician Tax Credit, under Division 1 of
53 Article 4A, commencing with Section 40-18-130, Chapter 18, of
54 Title 40, is ~~repealed~~ terminated effective December 31, ~~2028~~
55 ~~unless extended by an act of the Legislature prior to that~~
56 ~~date for no more than five additional years~~ 2025.



HB46 INTRODUCED

57 (b) The ~~repealing~~ terminating of the incentives in
58 subsection (a) shall ~~only affect the availability of the tax~~
59 ~~credits after December 31, 2028, and shall~~ not cause a
60 reduction or suspension of any credits awarded on or prior to
61 December 31, 2025~~2028~~.

62 Section 3. Division 2 of Article 4A, commencing with
63 Section 40-18-134, is added to Chapter 18 of Title 40, Code of
64 Alabama 1975, to read as follows:

65 Division 2.

66 §40-18-134

67 It is the intent of the Legislature to institute
68 programs that will make rural Alabama communities more
69 competitive in the recruitment and retention of physicians and
70 reduce inequities that rural communities have in the funding
71 and recruitment of physicians.

72 §40-18-134.1

73 For the purposes of this division, the following words
74 have the following meanings, respectively, unless the context
75 clearly indicates otherwise:

76 (1) PRACTICES MEDICINE. The practice of medicine or
77 osteopathy as defined in Section 34-24-50.

78 (2) RURAL COMMUNITY. According to the most recent
79 federal decennial census, an area within a county having a
80 population of 50,000 or less inhabitants, that is one of the
81 following:

82 a. A municipality that has a population of 20,000 or
83 less inhabitants.

84 b. The unincorporated area of the county.



HB46 INTRODUCED

85 (3) RURAL PHYSICIAN. A physician licensed to practice
86 medicine in Alabama who lives in a rural community and
87 practices medicine in a rural community.

88 §40-18-134.2

89 (a) (1) Except as provided in subdivision (2), for tax
90 years beginning on or after January 1, 2026, and ending
91 December 31, 2030, a physician qualifying as a rural physician
92 under this division shall be allowed a credit against the tax
93 imposed by Section 40-18-2, in the sum of ten thousand dollars
94 (\$10,000) per tax year. The tax credit under this subdivision
95 may be claimed for not more than four tax years except as
96 provided in subdivision (2).

97 (2) No tax credit may be claimed under this division by
98 a physician who previously claimed a rural physician tax
99 credit under Division 1 prior to January 1, 2026, except a
100 physician who claimed a tax credit under Division 1 for less
101 than the five years authorized under Division 1 prior to
102 January 1, 2025, and who is otherwise eligible to claim a
103 credit under this division, may claim a tax credit under this
104 division for the remainder of the five-year credit period
105 previously authorized under Division 1.

106 (3) No tax credit shall be allowed under this division
107 by a physician who practiced in a rural community prior to
108 January 1, 2026, unless on or after January 1, 2026, the
109 physician returns to practice in a rural community after
110 having practiced in a large or urban community or outside of
111 Alabama for at least three years.

112 (b) Prior to claiming a credit under this division, a



HB46 INTRODUCED

113 rural physician shall submit to the Alabama Statewide Area
114 Health Education Center Program Office, or its successor,
115 adequate information to substantiate that he or she qualifies
116 for the income tax credit. The Alabama Statewide Area Health
117 Education Center Program Office, upon review of the
118 documentation from the rural physician, shall make the
119 determination on whether the physician qualifies for the
120 credit and shall issue a certificate to the qualifying
121 physician. The certificate shall be submitted by the taxpayer
122 at the time of filing the return. Failure to submit the
123 required certificate to the Department of Revenue shall result
124 in the automatic denial of the credit.

125 (c) The Alabama Statewide Area Health Education Center
126 Program Office shall submit an annual informational report to
127 the Department of Revenue by January 31 of each year that
128 lists all taxpayer issued certificates with information
129 required by the department for credit certification.

130 (d) Effective for tax years beginning January 1, 2026,
131 and ending December 31, 2030, the Department of Revenue shall
132 file an annual informational report in accordance with Section
133 40-1-50 and rules adopted under that section, for physicians
134 who receive the credit under this division.

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

137 (f) The Alabama Board of Medical Examiners shall assist
138 the Alabama Statewide Area Health Education Center Program
139 Office in verifying the eligibility of physicians applying for
140 the credit.



HB46 INTRODUCED

141 (g) The Alabama Commission on the Evaluation of
142 Services shall consult with the Alabama Statewide Area Health
143 Education Center Program Office to develop performance metrics
144 and other measures of success to include in the annual report
145 required pursuant to subsection (d). During the 2030 fiscal
146 year, this incentive shall undergo an evaluation by the
147 Alabama Commission on the Evaluation of Services to determine
148 whether the program is impacting the determined measures of
149 success.

150 (h) The Alabama Commission on the Evaluation of
151 Services shall consult with the Alabama Statewide Area Health
152 Education Center Program Office to develop the appropriate
153 measures and methodology for conducting the needs assessment.

154 Section 4. Division 1 of Article 4A of Chapter 18 of
155 Title 40, Code of Alabama 1975, consisting of Sections
156 40-18-130, 40-18-131, 40-18-132, and 40-18-133, is repealed.

157 Section 5. This act shall become effective October 1,
158 2025, except Section 4 shall become effective December 31,
159 2025.