

HB86 ENGROSSED



1 HB86
2 6YWGJ13-2
3 By Representative Collins
4 RFD: Ways and Means Education
5 First Read: 04-Feb-25
6 PFD: 24-Jan-25



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

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

- (1) The Governor, or his or her designee.
 - (2) The State Treasurer, or his or her designee.
 - (3) The Commissioner of Revenue, or his or her designee.
 - (4) The President Pro Tempore of the Senate, or his or her designee.
 - (5) The Speaker of the House of Representatives, or his or her designee.
 - (6) Two representatives of the Alabama Hospital Association, appointed by the association.
 - (7) Two representatives of business, appointed by the Business Council of Alabama.
- (b) Members shall be appointed within 30 days of the effective date of this act.
- (c) (1) The appointing authorities for the members appointed pursuant to subdivisions (a) (6) and (a) (7) shall each appoint one initial member to the board for a term of two years and one initial member to the board for a term of four years.
- (2) Members subsequently appointed to the board



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

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

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

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

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

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

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

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

(6) The nonlegislative members of the board shall serve 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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financial needs as published by the department to any potential donor regardless of whether a third party has a relationship or agreement with an eligible rural hospital.

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

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

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

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

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

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

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



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

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

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

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

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



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

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

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

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



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be transferable.

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

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

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

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

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

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

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

(c) In the event a qualified donor desires to make a contribution to an individual eligible rural hospital that has received the maximum amount of contributions for that year, the donor shall be provided, upon request to the board, the list of eligible rural hospitals and demonstrated financial 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.



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House of Representatives

336 Read for the first time and referred04-Feb-25
337 to the House of Representatives
338 committee on Ways and Means
339 Education

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341 Read for the second time and placed03-Apr-25
342 on the calendar:
343 1 amendment

344
345 Read for the third time and passed08-Apr-25
346 as amended
347 Yeas 103
348 Nays 0
349 Abstains 0

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John Treadwell
Clerk