

## HB86 ENROLLED



1 HB86  
2 6YWGJ13-3  
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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Enrolled, 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.

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

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



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

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

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

(8) PROGRAM. The Rural Hospital Investment Program.

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

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

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

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

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

(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



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

Section 4. (a) In order to receive qualified donations as an eligible rural hospital under the program, a health care



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institution shall meet all of the following requirements:

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

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

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

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

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

(6) Before any rural hospital organization is included on the list as eligible to receive contributions from the tax credit provided in this act, it shall submit to the board a five-year plan detailing the financial viability and stability of the rural hospital. The criteria to be included in the five-year plan shall be established by the board.

(b) A hospital shall only be eligible to receive assistance from the provisions of this act in a year in which the total support from the local governing body, in the form of direct tax revenue, budget appropriation, in-kind services, or other financial assistance, is equal to or more than 10



percent of the assistance provided to the local hospital under the provisions of this act, with no more than 5 percent counted as in-kind contributions from the local governing body.

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

(1) No later than November 1 of each year, create an operations manual for identifying rural hospitals and ranking such rural hospitals in order of financial need according to the criteria included in the hospital's five-year plan. Such manual shall include:

a. All deadlines for submitting required information to the board.

b. The criteria to be included in the five-year plan submitted pursuant to Section 4(6).

c. The formula applied to rank the rural hospitals.

(2) No later than December 1 of each year, the board shall post the following in a prominent location on the department's website:

a. The list and ranking order of rural hospitals eligible to receive contributions.

b. The operations manual created pursuant to Section 5(1).

c. All pertinent timelines relating to the tax credit, including, but not limited to:

1. The beginning date when contributions can be submitted for preapproval by donors for the tax period; and

2. The ending date when contributions can be submitted for preapproval by donors for the tax period.



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(3) The board shall annually post the following information in a prominent location on the department's website:

a. The annual report prepared pursuant to Section 7.

b. The total preapproved contributions to date by a rural hospital or third party.

c. The total contributions received to date by each rural hospital.

d. The total aggregate amount of preapproved contributions made to date.

e. The aggregate amount of tax credits available.

f. A list of all preapproved contributions that were made to an unspecified rural hospital and the rural hospital that received such contributions.

g. The total amount received by each third party that participated in soliciting, administering, or managing donations.

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

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





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



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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 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



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279 financial institution excise tax liability.

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

283 (c) (1) The tax credits may be claimed beginning January  
284 1, 2026, for the 2026 tax year.

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

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

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

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

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

297 (b) No more than seven hundred fifty thousand dollars  
298 (\$750,000) shall be contributed to any eligible rural hospital  
299 in the tax year ending December 31, 2026; one million dollars  
300 (\$1,000,000) for the tax year ending on December 31, 2027; and  
301 one million two hundred fifty thousand dollars (\$1,250,000)  
302 each year thereafter, to be limited by the annual aggregate  
303 amount applicable in subsection (a).

304 (c) In the event a qualified donor desires to make a  
305 contribution to an individual eligible rural hospital that has  
306 received the maximum amount of contributions for that year,



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the donor shall be provided, upon request to the board, the published list of eligible rural hospitals that are still eligible to receive contributions that year.

(d) In the event a qualified donor desires to make a contribution to an individual eligible rural hospital that exceeds the maximum amount allowed for that year, the department shall not deny such desired contribution but shall approve the proportional amount of the desired contribution up to the eligible rural hospital's maximum amount of contributions for that year and any remainder shall be attributed to an eligible rural hospital according to the ranking as published under Section 2(a) that has not yet received the maximum amount of contributions for that year.

(e) In the event that a qualified donor desires to make a contribution to an unspecified or undesignated rural hospital, such donation shall be attributed to the eligible rural hospital according to the ranking as published under Section 2(a) that has not yet received the maximum amount of contributions for that year, regardless of whether a third party has a relationship or agreement with any eligible rural hospital.

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

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



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following:

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

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

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

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

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

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

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

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

Section 14. This act shall become effective immediately.



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Speaker of the House of Representatives

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President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in and  
was passed by the House 08-Apr-25, as amended.

John Treadwell  
Clerk

Senate	<hr/> <b>06-May-25</b> <hr/>	Amended and Passed
House	<hr/> <b>06-May-25</b> <hr/>	Concurred in Senate Amendment