

**SB105 INTRODUCED**



1 SB105  
2 N9UETJT-1  
3 By Senator Weaver  
4 RFD: Finance and Taxation Education  
5 First Read: 05-Feb-25



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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 Department of Revenue.

A BILL  
TO BE ENTITLED  
AN ACT



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

39 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

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

49 (3) ELIGIBLE RURAL HOSPITAL. A hospital that meets the  
50 requirements provided 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 pursuant



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57 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 from a qualified donor to an eligible rural hospital.

64 (10) QUALIFIED DONOR. Any person that makes a qualified  
65 donation to an eligible rural hospital.

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

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

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

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

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

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

82 (3) The Commissioner of Revenue, or his or her  
83 designee.

84 (4) The President Pro Tempore of the Senate, or his or



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85 her designee.

86 (5) The Speaker of the House of Representatives, or his  
87 or her designee.

88 (6) Two representatives of the Alabama Hospital  
89 Association, appointed by the association.

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

92 (c) (1) The Alabama Hospital Association shall appoint  
93 one initial member to the board for a term of two years and  
94 one initial member to the board for a term of four years.

95 (2) A member subsequently appointed to the board by  
96 the Alabama Hospital Association shall serve for a term of  
97 four years.

98 (3) A vacancy on the board of a representative of the  
99 Alabama Hospital Association shall be filled by the Alabama  
100 Hospital Association before the next scheduled meeting of the  
101 board and the appointee shall serve for the remainder of the  
102 unexpired term.

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

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

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



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113 (3) A quorum for a meeting of the board shall be four  
114 members.

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

117 (5) The legislative members of the board shall be  
118 entitled to their legislative compensation, per diem, and  
119 travel expenses for each day they attend a meeting of the  
120 board pursuant to Section 49 of the Constitution of Alabama of  
121 2022.

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

126 Section 4. To receive qualified donations as an  
127 eligible rural hospital under the program, a health care  
128 institution shall meet all of the following requirements:

129 (1) Be a rural general acute care hospital, a rural  
130 emergency hospital, or a critical access hospital licensed by  
131 the Alabama Department of Public Health pursuant to Section  
132 22-21-22, Code of Alabama 1975.

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

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

140 (4) Provide hospital services to indigent patients,



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141 regardless of ability to pay.

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

144 (6) Submit to the board a written five-year plan that  
145 describes the financial viability and stability of the  
146 hospital, with a plan detailing how it would use qualified  
147 donations under the program and update the written plan five  
148 years after the initial plan is submitted and every five years  
149 thereafter.

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

151 (1) By November 1 of each year, determine if a hospital  
152 is an eligible rural hospital pursuant to Section 4.

153 (2) By December 1 of each year, submit the list of  
154 eligible rural hospitals to the Alabama Department of Revenue.

155 (3) By December 31 of each year, publish a list of  
156 rural hospitals eligible to receive qualified donations during  
157 the next tax year on its website or on the department's  
158 website.

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

164 (b) An eligible rural hospital may retain a person to  
165 solicit or manage the qualified donations it receives for a  
166 percentage fee of the qualified donations solicited or  
167 managed, but total fees may not exceed five percent of the  
168 total amount of qualified donations received during a calendar



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169 year.

170 (c) By March 1 of each year, an eligible rural hospital  
171 shall file a report with the board, on a form to be developed  
172 by the board that shall include all of the following  
173 information:

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

178 (2) A schedule of payments made to any person during  
179 the preceding tax year for the purpose of soliciting or  
180 managing the qualified donations received.

181 (d) An eligible rural hospital shall report all  
182 donations received from a taxpayer to the department within 30  
183 days of the receipt of that donation.

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

190 Section 8. (a) A taxpayer may claim a tax credit to  
191 offset eligible taxes for each qualified donation as provided  
192 in this section. The tax credit shall be provided as follows:

193 (1) For a qualified donor who is a single individual, a  
194 head of household, or married, filing a separate return: an  
195 amount equal to 100 percent of the qualified donations to the  
196 taxpayer made during the tax year for which the credit is





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197 claimed, not to exceed fifteen thousand dollars (\$15,000).

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

202 (3)a. For a qualified donor that is taxed as a  
203 pass-through entity under subchapters S or K of the Internal  
204 Revenue Code, a limited liability company, or a professional  
205 corporation: 100 percent of the qualified donations to the  
206 taxpayer made during the tax year for which the credit is  
207 claimed, not to exceed four hundred fifty thousand dollars  
208 (\$450,000).

209 b. The tax credit shall be taken by the taxpayer on a  
210 pro rata basis according to an individual's percentage of  
211 ownership in the entity or fifteen thousand dollars (\$15,000),  
212 whichever is less. In the case of a qualified donor that is  
213 taxed as a corporation under the Internal Revenue Code, an  
214 amount equal to 100 percent or 75 percent of the corporation's  
215 income, excise, utility, or insurance premium tax, not to  
216 exceed the amount of the corporation's income, excise,  
217 utility, or insurance premium tax liability, whichever is  
218 less, with a contribution limit each tax year of five hundred  
219 thousand dollars (\$500,000).

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

224 (2) Any unused tax credit may be carried forward for up



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225 to three years following the qualified donations but shall not  
226 be transferable.

227 (c) (1) The tax credits may be claimed beginning January  
228 1, 2026, for the 2026 tax year.

229 (2) Except as provided in subdivision (b) (2), no tax  
230 credit may be claimed after tax year 2030.

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

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

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

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

240 (b) No more than seven hundred fifty thousand dollars  
241 (\$750,000) may be contributed to any eligible rural hospital  
242 in the tax year ending December 31, 2026; one million dollars  
243 (\$1,000,000) for the tax year ending December 31, 2027; and  
244 one million two hundred fifty thousand dollars (\$1,250,000)  
245 each year thereafter, to be limited by the annual aggregate  
246 amount applicable in subsection (a).

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

250 Section 10. (a) The department shall adopt rules by  
251 January 1, 2026, as necessary to implement this act. The rules  
252 shall provide for all of the following:



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253           (1) That the tax credits will not reduce the  
254 distribution to the Alabama Special Mental Health Trust Fund.

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

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

259           Section 11. (a) The State Treasurer shall adopt rules  
260 to implement the responsibilities of the board and this act.

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

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

270           Section 13. This act shall become effective on October  
271 1, 2025.