



**House Ways and Means Education Reported Substitute
for HB46**

SYNOPSIS:

A BILL

TO BE ENACTED

AN ACT

Relating to state income tax credits for rural physicians; to designate Sections 40-18-130, 40-18-131, 40-18-132, and 40-18-133, Code of Alabama 1975, as Division 1 of Article 4A of Chapter 18 of Title 40, Code of Alabama 1975, and to move up the **date of termination** of the income tax credit authorized for a rural physician under Division 1 to be effective December 31, 2025; to add Division 2 to Article 4A of Chapter 18, Title 40, Code of Alabama 1975, to provide for a new rural physician income tax credit; to provide definitions; to require the Alabama Statewide Area Health Education Center Program Office, in consultation with the State Board of Medical Examiners, to certify physicians who qualify for the new income tax credit; **and to repeal Sections 40-18-130 through 40-18-133 on December 31, 2030.**

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

"§40-18-133



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Title 40, is ~~repealed~~ terminated effective December 31, ~~2028,~~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

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

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

Division 2.

§40-18-134

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

§40-18-134.1

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

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

(2) RURAL COMMUNITY. According to the most recent
federal decennial census, an area within a county having a



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population of 50,000 or less inhabitants, that is one of the following:

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

b. The unincorporated area of the county.

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

§40-18-134.2

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

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

(3) No tax credit shall be allowed under this division by a physician who practiced in a rural community prior to



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January 1, 2026, unless on or after January 1, 2026, the physician returns to practice in a rural community after having practiced in a large or urban community or outside of Alabama for at least three years.

(b) Prior to claiming a credit under this division, a rural physician shall submit to the Alabama Statewide Area Health Education Center Program Office, or its successor, adequate information to substantiate that he or she qualifies for the income tax credit. The Alabama Statewide Area Health Education Center Program Office, upon review of the documentation from the rural physician, shall make the determination on whether the physician qualifies for the credit and shall issue a certificate to the qualifying physician. The certificate shall be submitted by the taxpayer at the time of filing the return. Failure to submit the required certificate to the Department of Revenue shall result in the automatic denial of the credit.

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

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

(e) The Department of Revenue shall adopt any rules



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necessary to implement and administer this division.

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

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

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

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

Section 5. This act shall become effective October 1, 2025, except Section 4 shall become effective December 31, 2030.