



1 HB86

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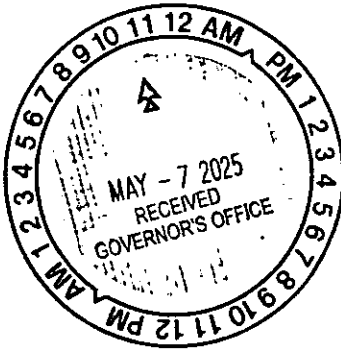
ACT #2025 - 404

3 By Representative Collins

4 RFD: Ways and Means Education

5 First Read: 04-Feb-25

6 PFD: 24-Jan-25





1 Enrolled, An Act,

2
3 Relating to rural health care; to provide for funding of
4 rural general acute care, critical access, and rural
5 emergency hospitals by creating the Rural Hospital Investment
6 Program; to establish the Rural Hospital Investment Program
7 Board to administer the program; to provide for state income,
8 excise, premium, and utility tax credits in exchange for
9 donations to rural general acute care, critical access, and
10 rural emergency hospitals; and to provide for coordination
11 with the Alabama Department of Revenue.

12 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

18 Section 2. For the purposes of this act, the following
19 terms have the following meanings:

20 (1) BOARD. The Rural Hospital Investment Program
21 Board.

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

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

25 (4) ELIGIBLE TAXES. Financial institution excise tax,
26 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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55 Board is established within the Office of the State Treasurer
56 to oversee the development and operation of the Rural Hospital
57 Investment Program. The board shall consist of the following
58 members:

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

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

61 (3) The Commissioner of Revenue, or his or her
62 designee.

63 (4) The President Pro Tempore of the Senate, or his or
64 her designee.

65 (5) The Speaker of the House of Representatives, or his
66 or her designee.

67 (6) Two representatives of the Alabama Hospital
68 Association, appointed by the association.

69 (7) Two representatives of business, appointed by the
70 Business Council of Alabama.

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

73 (c) (1) The appointing authorities for the members
74 appointed pursuant to subdivisions (a) (6) and (a) (7) shall
75 each appoint one initial member to the board for a term of two
76 years and one initial member to the board for a term of four
77 years.

78 (2) Members subsequently appointed to the board
79 pursuant to subdivisions (a) (6) and (a) (7) shall each serve
80 for a term of four years.

81 (3) A vacancy on the board of a representative
82 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



111 institution shall meet all of the following requirements:

112 (1) Be a rural general acute care hospital, a rural
113 emergency hospital, or a critical access hospital licensed by
114 the Alabama Department of Public Health pursuant to Section
115 22-21-22, Code of Alabama 1975.

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

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

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

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

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

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



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

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

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

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

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

153 c. The formula applied to rank the rural hospitals.

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

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

159 b. The operations manual created pursuant to Section
160 5(1).

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

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

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



(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.



195 (c) Any third party that participates in soliciting,
196 advertising, or managing donations shall provide the complete
197 list of eligible rural hospitals as published by the
198 department to any potential donor regardless of whether a
199 third party has a relationship or agreement with an eligible
200 rural hospital.

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

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

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

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

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

222 Section 8. (a) A taxpayer may claim a tax credit to



223 offset eligible taxes for each qualified donation as provided
224 in this section.

225 (1) For a donor who is a single individual, a head of
226 household, or married, filing a separate return: an amount
227 equal to 100 percent of the qualified donations to the
228 taxpayer made during the tax year for which the credit is
229 claimed, not to exceed fifteen thousand dollars (\$15,000).

230 (2) For a donor who is married, filing a joint return:
231 100 percent of the qualified donations to the taxpayer made
232 during the tax year for which the credit is claimed, not to
233 exceed thirty thousand dollars (\$30,000).

234 (3) a. For a qualified donor that is taxed as an
235 electing pass-through entity under Section 40-18-24.4, Code of
236 Alabama 1975: 100 percent of the qualified donations to the
237 taxpayer made during the tax year for which the credit is
238 claimed, not to exceed four hundred fifty thousand dollars
239 (\$450,000).

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

250 (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 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



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,



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

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

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

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

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



335 following:

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

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

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

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

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

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

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

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

360 Section 14. This act shall become effective -
361 immediately.



[Handwritten Signature]

Speaker of the House of Representatives

[Handwritten Signature]

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

APPROVED 5-14-2025

TIME 1:15 pm

[Handwritten Signature: Kay Ivey]
GOVERNOR

Alabama Secretary Of State

Act Num....: 2025-404
Bill Num...: H-86

ENGROSSED

80

SPONSOR

Collins

CO-SPONSORS

HOUSE ACTION

I HEREBY CERTIFY THAT THE
RESOLUTION AS REQUIRED IN
SECTION C OF ACT NO. 81-889
WAS ADOPTED AND IS ATTACHED
TO THE BILL, H.B. 80

YEAS 103 NAYS 0

JOHN TREADWELL, Clerk

I HEREBY CERTIFY THAT THE
NOTICE & PROOF IS ATTACHED
TO THE BILL, H.B. 80
AS REQUIRED IN THE GENERAL
ACTS OF ALABAMA, 1975 ACT NO.
919.

JOHN TREADWELL, Clerk

CONFERENCE COMMITTEE

House Conferees _____

SENATE ACTION

44 5 172

DATE: 4-4 205
RD 1 RFD 1-17-2

This Bill was referred to the Standing Committee
of the Senate on FATE

and was acted upon by such Committee in
session and is by order of the Committee
returned therefrom with a favorable report
w/amend(s) 2 w/sub 0 by a vote of
yeas 15 nays 02 abstain 0
this 30th day of April 2005
Chair, Chair

DATE: 5-1 2005
RF FAC 11000 RD 2 CAL

DATE: _____ 20____

RE-REFERRED ☐ RE-COMMITTED ☐

Committee _____

I hereby certify that the Resolution as
required in Section C of Act No. 81-889
was adopted and is attached to the Bill,
HB _____.

YEAS _____ NAYS _____

PATRICK HARRIS,
Secretary

FURTHER SENATE ACTION (OVER)