

Rural Hospital Investment Tax Credit - General Guidelines.

1. Purpose. This rule sets forth guidelines and procedures to be used by the department in the administration of the Rural Hospital Investment Tax Credit as codified in Article 29 of Chapter 18 of Title 40, Code of Ala. 1975.
2. Definitions. For the purposes of this rule, all terms except the terms provided below, are defined in §40-18-551, Code of Ala. 1975.
 - a. TAX YEAR - The calendar year or fiscal year used by a qualified donor to file their Alabama state tax return.
3. Tax Credits. A qualified donor may claim a tax credit to offset eligible taxes for each qualified donation as follows:
 - a. A donor filing Single, Head of Household, or Married Filing Separately may claim 100 percent of the qualifying donation, not to exceed \$15,000.
 - b. A donor filing Married Filing Jointly may claim 100 percent of the qualifying donation, not to exceed \$30,000.
 - c. A pass-through entity may claim 100 percent of the qualifying donation, not to exceed \$450,000.
 - i. The credit shall be allocated to the owners of the pass-through entity on a pro rata basis. Owners receiving an allocated share of the credit may claim the credit subject to the applicable limitations provided in this section.
 - d. A corporation may claim the lesser of 100 percent of the qualifying donation or 75 percent of their income tax liability, not to exceed \$500,000.
 - e. A financial institution may claim the lesser of 100 percent of the qualifying donation or 75 percent of the

state portion of their financial institution excise tax liability, not to exceed \$500,000.

f. An insurance company may claim the lesser of 100 percent of the qualifying donation or 75 percent of their insurance premium tax liability, not to exceed \$500,000.

g. A donor holding a utility tax direct pay permit may claim 100 percent of the qualifying donation against the utility taxes levied in §§40-21-82 through 40-21-107, Code of Ala. 1975, not to exceed their utility taxes paid.

4. Donation Conditions. A donation must be monetary in value and may not include services, forgiveness of debt, barter, or non-cash assets. A donor may not claim an income tax deduction on their state tax return for the same donation for which the credit is utilized.

5. Credit Reservation. To be eligible for the tax credit, a qualified donor must first reserve a tax credit by pledging a donation.

a. Reservations must be made through the department's online system and shall be awarded on a first-come, first-served basis, subject to the annual aggregate limits set by the Act.

b. A donor may make a credit reservation for a specified eligible rural hospital subject to the maximum amount of contributions for such eligible rural hospital.

c. A donor intending to make an unspecified monetary donation may make a reservation to a listed third party. Such donation shall be allocated by the third party according to the ranking provided by the Rural Hospital Investment Program Board to an eligible rural hospital that has not yet received the maximum amount of contributions.

6. Credit Award Process. A donor must make a monetary donation to the eligible rural hospital or third party no later than 30 days after reserving the credit through the department's online system.

a. The monetary donation must be equal to the amount reserved through the department's online system. A credit cannot exceed the reserved amount, regardless of whether the monetary donation is greater than the reserved amount.

b. Within 30 days of receiving the monetary donation, but no later than 60 days of the donor's reservation date, the eligible rural hospital or third party must certify to the department that it has received the donation before the credit will be awarded to the donor. A third party must report the allocation of the donation to the department.

c. A monetary donation that is not certified by the eligible rural hospital or third party within the provided timeframe shall be voided and the funds originally reserved will revert to the annual fund.

7. Claiming the Credit. The credit is available each year beginning January 1, 2026, for the 2026 tax year. No credit may be claimed after tax year 2028. However, any unused credit may be carried forward for up to three years but shall not be transferable. The credit is effective in the tax year that the credit reservation is made.

8. Alabama Special Mental Health Fund. The tax credit shall not reduce the distribution for the Alabama Special Mental Health Fund.

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Statutory Authority: Section 40-2A-7(a)(5) and Article 29 of Chapter 18 of Title 40, Code of Ala. 1975

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