

1 HB519
2 218219-1
3 By Representative Oliver
4 RFD: Ways and Means Education
5 First Read: 29-MAR-22

8 SYNOPSIS: Under existing law, a physician who
9 qualifies as a rural physician in a small or rural
10 community with a small or rural hospital is
11 entitled to a tax credit of \$5,000 each year for
12 five years.

13 This bill would terminate the existing rural
14 physician income tax credit effective for tax years
15 beginning after December 31, 2022, but would
16 authorize a physician claiming the credit for the
17 tax year ending on December 31, 2022, to claim the
18 credit for the remainder of the five-year credit
19 period available under prior law.

20 This bill would further provide a new rural
21 physician income tax credit effective for tax year
22 beginning on or after January 1, 2023. The bill
23 would define rural community as a rural area under
24 federal law.

25 The bill would require the State Board of
26 Medical Examiners to issue certificates to
27 physicians who qualify for the tax credit.

1
2 A BILL
3 TO BE ENTITLED
4 AN ACT
5

6 Relating to state income tax credits for rural
7 physicians; to designate Sections 40-18-130, 40-18-131, and
8 40-18-132, Code of Alabama 1975, as Division 1 of Article 4A
9 of Chapter 18 of Title 40, Code of Alabama 1975; to terminate
10 the income tax credit authorized for a rural physician under
11 the existing Article 4A of Chapter 18, Title 40, Code of
12 Alabama 1975, effective December 31, 2022; to provide that any
13 physician who claimed the credit or claims the credit under
14 the existing Article 4A for the tax year ending on December
15 31, 2022, would be authorized to continue to claim the credit
16 under the prior law until the credit period authorized under
17 the prior law for that physician expires; to add Division 2 to
18 Article 4A of Chapter 18, Title 40, Code of Alabama 1975, to
19 further provide for a rural physician income tax credit; to
20 provide definitions; to modify the requirement for residence
21 and practice in a rural community; to remove the requirement
22 for hospital privileges in a rural community; and to require
23 the State Board of Medical Examiners to certify physicians who
24 qualify for the income tax credit.

25 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

26 Section 1. Sections 40-18-130, 40-18-131, and
27 40-18-132, Code of Alabama 1975, shall be designated as

1 Division 1 of Article 4A of Chapter 18 of Title 40, Code of
2 Alabama 1975.

3 Section 2. (a) Any income tax credit authorized
4 pursuant to Division 1 of Article 4A of Chapter 18, Title 40,
5 composed of Sections 40-18-130, 40-18-131, and 40-18-132, Code
6 of Alabama 1975, is terminated effective for tax years ending
7 after December 31, 2022, except as provided in subsection (b).

8 (b) Notwithstanding subsection (a), any physician
9 who qualifies for and claims the credit under Division 1 of
10 Article 4A for the tax year ending on December 31, 2022, may
11 claim the credit under Division 1 for tax year 2022, and for
12 tax years thereafter up to the five-year credit period as
13 authorized under Division 1 for consecutive tax years. Any tax
14 year prior to 2022 in which the taxpayer claimed a credit
15 under Division 1 shall be included in the five-year limitation
16 for which the taxpayer is eligible to claim the credit.

17 (c) It is the intent of this section to authorize a
18 taxpayer eligible to claim the credit under Division 1 for the
19 2022 tax year to be grandfathered under Division 1 and
20 eligible to claim the tax credit for tax year 2022, and for
21 future tax years up to the five-year credit period authorized
22 under Division 1.

23 Section 3. Division 2 of Article 4A is added to
24 Chapter 18 of Title 40, Code of Alabama 1975, commencing with
25 Section 40-18-133, to read as follows:

26 Division 2.

27 §40-18-133.

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

6 §40-18-133.1.

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

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

12 (2) RURAL COMMUNITY. A rural area in this state that
13 meets the criteria for designation as a rural area pursuant to
14 42 C.F.R. 491.5(c).

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

18 §40-18-133.2.

19 (a) (1) Except as provided in subdivision (2),
20 beginning with the 2023 tax year, a person newly qualifying as
21 a rural physician shall be allowed a credit against the tax
22 imposed by Section 40-18-2, in the sum of five thousand
23 dollars (\$5,000) per tax year. The tax credit may be claimed
24 for not more than five tax years if the person continues to
25 qualify as a rural physician.

26 (2) No tax credit may be claimed under this division
27 by a physician who previously claimed a rural physician tax

1 credit under Division 1 prior to its termination, or
2 otherwise.

3 (3) No tax credit shall be allowed under this
4 division by a physician who practiced in a rural community
5 prior to January 1, 2023, unless, after January 1, 2023, the
6 physician returns to practice in a rural community after
7 having practiced in a large or urban community or outside of
8 Alabama for at least three years.

9 (b) Prior to claiming a credit under this division,
10 a rural physician shall submit to the State Board of Medical
11 Examiners, or its designee, adequate information to
12 substantiate that he or she qualifies for the income tax
13 credit. The board or its designee, upon review of the
14 documentation from the rural physician, shall make the
15 determination on whether he or she qualifies for the credit
16 and shall issue a certificate to the qualifying physician. The
17 certificate shall be submitted by the taxpayer at the time of
18 filing the return. Failure to submit the required certificate
19 to the Department of Revenue shall result in the automatic
20 denial of the credit.

21 (c) The State Board of Medical Examiners, or its
22 designee, shall submit an annual informational report to the
23 Department of Revenue by January 31 of each year that lists
24 all taxpayer issued certificates with information required by
25 the department for credit certification.

26 (d) Effective for tax years beginning after December
27 31, 2022, the Department of Revenue shall file an annual

1 informational report in accordance with Section 40-1-50 and
2 rules adopted under that section, for physicians who receive
3 the credit under this division.

4 (e) The Department of Revenue shall adopt any rules
5 necessary to implement and administer this division.

6 Section 4. This act shall become effective
7 immediately following its passage and approval by the
8 Governor, or its otherwise becoming law.