

1 SB228
2 204040-5
3 By Senator Livingston
4 RFD: Finance and Taxation Education
5 First Read: 11-FEB-21

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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 December 31,
15 2021, and would authorize a physician claiming the
16 credit for the tax year ending on December 31,
17 2021, to claim the credit under the revised act for
18 the remainder of the five year credit period
19 available under the prior law.

20 This bill would further provide a new rural
21 dentist and rural physician income tax credit
22 effective for tax year beginning after January 1,
23 2021. The bill would define practices, rural
24 dentist and physician, and rural community. A rural
25 community would be defined as a rural area under
26 federal law. The requirements that a rural
27 community have a rural hospital would be deleted.

1 The bill would require a rural dentist or physician
2 to practice at least 20 hours per week in a rural
3 community.

4 The bill would require the State Board of
5 Medical Examiners and the State Board of Dental
6 Examiners to issue certificates to physicians and
7 dentists, respectively, who qualify for the tax
8 credit.

9
10 A BILL
11 TO BE ENTITLED
12 AN ACT

13
14 Relating to state income tax credits for rural
15 physicians; to designate Sections 40-18-130, 40-18-131, and
16 40-18-132, Code of Alabama 1975, as Division 1 of Article 4A
17 of Chapter 18 of Title 40, Code of Alabama 1975; to terminate
18 the income tax credit authorized for a rural physician under
19 the existing Article 4A of Chapter 18, Title 40, Code of
20 Alabama 1975, as it existed prior to January 1, 2021, and to
21 provide that any physician who claimed the credit or claims
22 the exemption under the existing Article 4A for the tax year
23 ending on December 31, 2021, would be authorized to continue
24 to claim the exemption under this act until the credit period
25 authorized under the prior law for that physician expires; to
26 add Division 2 to Article 4A of Chapter 18, Title 40, Code of
27 Alabama 1975, to further provide for a rural dentist and rural

1 physician income tax credit; to provide definitions; to modify
2 the requirement for residence and practice in a rural
3 community; to remove the requirement for hospital privileges
4 in a rural hospital; and to require the State Board of Medical
5 Examiners and the State Board of Dental Examiners to certify
6 physicians and dentists, respectively, who qualify for the
7 income tax credit.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

9 Section 1. Sections 40-18-130, 40-18-131, and
10 40-18-132, Code of Alabama 1975, shall be designated as
11 Division 1 of Article 4A of Chapter 18 of Title 40, Code of
12 Alabama 1975.

13 Section 2. (a) Any income tax credit authorized
14 pursuant to Division 1 of Article 4A of Chapter 18, Title 40,
15 Code of Alabama 1975, composed of Sections 40-18-130,
16 40-18-131, and 40-18-132, Code of Alabama 1975, is terminated
17 effective for tax years ending after December 31, 2020.

18 (b) Notwithstanding subsection (a), any physician
19 who claimed the exemption under Article 4A for any tax year
20 prior to December 31, 2021, may claim the exemption under
21 Division 1 of Article 4A for tax year 2021.

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

25 §40-18-133. Division 2.

26 It is the intent of the Legislature to institute
27 programs that will make rural Alabama communities more

1 competitive in the recruitment and retention of physicians and
2 dentists and reduce inequities that rural communities have in
3 the funding and recruitment of physicians and dentists.

4 §40-18-133.1.

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

8 (1) PRACTICING. Assessing, diagnosing, performing
9 surgical procedures, treating, reporting, or giving advice in
10 a medical capacity in a medical facility, not including a
11 personal residence, located in a rural community. Practicing
12 includes prescribing medicines and signing any medical
13 certificate required for statutory purposes, such as death and
14 cremation certificates.

15 (2) RURAL COMMUNITY. A rural area in this state that
16 meets the criteria for designation as a rural area pursuant to
17 42 C.F.R. 491.5(c).

18 (3) RURAL DENTIST. A dentist licensed to practice
19 dentistry in Alabama who practices and resides in a rural
20 community and practices an annual average of at least 20 hours
21 per week.

22 (4) RURAL PHYSICIAN. A physician licensed to
23 practice medicine in Alabama who practices and resides in a
24 rural community and practices medicine an annual average of at
25 least 20 hours per week.

26 §40-18-133.2.

1 (a) (1) Beginning with the 2022 tax year, a person
2 newly qualifying as a rural dentist or a rural physician shall
3 be allowed a credit against the tax imposed by Section
4 40-18-2, in the sum of five thousand dollars (\$5,000). The tax
5 credit may be claimed for not more than five consecutive tax
6 years if the person continues to qualify as a rural physician
7 or a rural dentist.

8 (2) Notwithstanding subdivision (1), a physician who
9 claimed a tax credit under Division 1 of Article 4A of Chapter
10 18 of this title, prior to its termination by this act for the
11 2021 tax year who qualifies as a rural physician under this
12 subsection shall be entitled to a tax credit of five thousand
13 dollars (\$5,000) per tax year for the period of five
14 consecutive years less the number of years a tax credit under
15 Division 1 of Article 4A of Chapter 18 of this title was
16 received. Except as provided in this subdivision, no credit
17 may be claimed under this division by a physician who
18 previously claimed a rural physician tax credit under Division
19 1 of Article 4A prior to its termination, or otherwise.

20 (3) Except as provided in subdivision (2), no tax
21 credit shall be allowed under this subsection to a physician
22 or dentist who has practiced in a rural community prior to
23 January 1, 2022, unless, after January 1, 2022, the physician
24 or dentist returns to practice in a rural community after
25 having practiced in a large or urban community or outside of
26 Alabama for at least three years.

1 (4) Any person who claims a tax credit as a rural
2 dentist or rural physician pursuant to subdivision (1) for
3 five consecutive tax years as provided in subdivision (2),
4 shall not thereafter be eligible to claim any additional tax
5 credit under this act. In addition, if a rural dentist or
6 rural physician claims a tax credit under this act for any tax
7 year and for any reason does not claim a tax credit for the
8 next consecutive tax year, the person shall not be eligible to
9 claim any additional tax credit under this act thereafter.

10 (b) Prior to claiming a credit under this act, a
11 rural physician shall submit to the State Board of Medical
12 Examiners, or its designee, and a rural dentist shall submit
13 to the State Board of Dental Examiners, or its designee,
14 adequate information to substantiate that he or she qualifies
15 for the income tax credit. The appropriate board or its
16 designee, upon review of the foregoing documentation from the
17 rural physician or dentist, shall make the determination on
18 whether he or she qualifies for the credit and shall issue a
19 certificate to the qualifying physician or dentist. No credit
20 shall be granted to a rural physician or rural dentist who
21 does not obtain a certificate required by this subsection
22 prior to claiming the credit on his or her income tax return,
23 and fails to attach the certification to his or her income tax
24 return at the time the credit is being claimed.

25 (c) Effective for tax years beginning after December
26 31, 2021, the State Board of Medical Examiners, or its
27 designee, for physicians, and the State Board of Dental

1 Examiners, or its designee, for dentists, shall file an annual
2 informational report in accordance with Section 40-1-50 and
3 rules adopted under that section, for physicians and dentists,
4 respectively, who receive the credit under this division.

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

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