SB223

QDDR541-1

By Senator Weaver

RFD: Finance and Taxation Education

First Read: 19-Mar-24

SYNOPSIS:

This bill would set up a Rural Hospital Investment Program to function as an institutional conduit for financial support from the public for rural hospitals in the State of Alabama.

This bill would incentivize donations to rural hospitals by creating a tax credit for individuals and entities to offset their state income tax liability. Qualifying Hospitals would use the gifts to pay for their provision of acute care services to rural populations served by the hospitals. These funds may be used not only for direct care and operational expenses but may include expenditures to maintain or upgrade facilities.

This bill would establish a board within the Office of State Treasurer to determine the eligibility of qualifying rural hospitals to receive donations qualifying for the tax credit and to operate the program with the support of the Department of Revenue.

A BILL

TO BE ENTITLED

AN ACT

Relating to rural healthcare; to provide for funding of rural general acute care, critical access, and rural emergency hospitals by creating the Rural Hospital Investment Program; to establish the Rural Hospital Investment Program Board to administer the program; to provide for a state income tax credit in exchange for donations to rural general acute care, critical access, and rural emergency hospitals; and to provide for coordination with the Department of Revenue.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act, the purpose of which is to generate additional funds for eligible rural general acute care, critical access, and rural emergency hospitals to strengthen their financial viability, shall be known and may be cited as the "Rural Hospital Investment Act of 2024."

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

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

(2) DEPARTMENT. The Alabama Department of Revenue.

(3) ELIGIBLE RURAL HOSPITAL. A hospital that meets the requirements as set out in Section 4 of this act.

(4) INCOME TAX LIABILITY. The amount of tax levied on an individual's income for the tax year pursuant to Section 40-18-2, Code of Alabama 1975 and to any entity the amount of tax levied on a taxpayer's income for the tax year pursuant to Chapter 16 or Chapter 18 of Title 40, Code of Alabama, 1975.

(5) PROGRAM. The Rural Hospital Investment Program.

(6) QUALIFIED DONATION. An unrestricted transfer of funds from a qualified donor to an eligible rural hospital.

(7) QUALIFIED DONOR. Any person that makes a qualified donation to an eligible rural hospital.

(8) 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) of this act.

(9) TAX YEAR. The calendar year for which annual income is reported to the State of Alabama by a person that makes a qualified donation.

Section 3. (a) The Rural Hospital Investment Program Board is established within the Office of the State Treasurer to oversee the development and operation of the Rural Hospital Investment Program. The board shall consist of the following members:

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

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

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

(4) The Senate President Pro Tempore, or his or her designee.

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

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

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

(c)(1) The Alabama Hospital Association shall appoint one initial member to the board for a term of two years and

one initial member to the board for a term of four years.

(2) A member subsequently appointed to the board by the Alabama Hospital Association shall serve for a term of four years.

(3) A vacancy on the board of a representative of the Alabama Hospital Association shall be filled by the Alabama Hospital Association 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, rural, and economic diversity of the state.

(e)(1) No later than three months after the effective date of this act the Governor shall call the first meeting of the board, at which 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 four 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 non-legislative 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 designating or appointing authority.

Section 4. In order to receive qualified donations as an eligible rural hospital under the program, a health care institution shall meet all of the following requirements:

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

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

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

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

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

(6) Submit to the board a written five-year plan that describes the financial viability and stability of the hospital, with a plan detailing how it would use qualified donations under the program and update the written plan five years after the initial plan is submitted and every five years thereafter.

Section 5. No later than November 1 of each year, the board shall determine that a hospital is an eligible rural hospital pursuant to Section 4 and shall do both of the following:

(1) No later than December 1 of each year submit the list of eligible rural hospitals to the Alabama Department of Revenue.

(2) No later than December 31 of each year publish on its website or on the department website a list of rural hospitals eligible to receive qualified donations during the next tax year.

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 not only operational expenditures, but also expenditures for maintenance, capital upgrades, and improvements.

(b) An eligible rural hospital may retain a person 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.

(c) An eligible rural hospital shall file with the board, no later than March 1 of each year, a report on a form to be developed by the board that shall include all of the following information:

(1) A schedule of each qualifying donation received

during the preceding tax year which includes the amount, identifies the qualified donor, and describes how the qualified donation was or is planned to be spent.

(2) A schedule of payments made to any person during the preceding tax year for the purpose of soliciting or managing the qualified donations received.

Section 7. No later than the fourth quarter of each calendar year, the board and the department shall prepare jointly a report that at a minimum shall include all qualified donations reported by eligible rural hospitals and all tax credits claimed and approved for the preceding tax year, to be provided to the Legislature no later than the fifth day of its next regular session.

Section 8. (a) A taxpayer shall be allowed a tax credit to offset income tax liability for each qualified donation. The tax credit shall be provided as follows:

(1) In the case of a qualified donor who is a single individual, a head of household, or married filing a separate return, 100 percent of the amount donated in the initial tax year and in each taxable year thereafter, with a contribution limit each tax year of fifteen thousand dollars ($15,000).

(2) In the case of qualified donors who are married, filing a joint return, 100 percent of the amount donated in the initial tax year and in each tax year thereafter, with a contribution limit each tax year of thirty thousand dollars ($30,000).

(3)a. In the case of a qualified donor that is taxed as a pass-through entity under subchapters S or K of the Internal

Revenue Code, a limited liability company, or a professional corporation, a contribution limit each tax year of four hundred fifty thousand dollars ($450,000).

b. The tax credit shall be taken by the taxpayer on a pro rata basis according to an individual's percentage of ownership in the entity or fifteen thousand dollars ($15,000), whichever is less. In the case of a qualified donor that is taxed as a corporation under subchapter C of the Internal Revenue Code, an amount each tax year not to exceed the amount donated or 75 percent of the corporation's income tax liability, whichever is less, with a contribution limit each tax year of five hundred thousand dollars ($500,000).

(c)(1) In no event shall the total amount of the tax credit for a given tax year exceed the taxpayer's income tax liability, or, for financial institutions, the state portion of the taxpayer's income tax liability.

(2) Any unused tax credit may be carried forward for up to three years following the qualified donation but shall not be refundable or transferable.

(d) The income tax credit shall be effective January 1, 2025, for the 2025 tax year.

Section 9. (a) The statewide annual aggregate of the tax credit allowed for qualified donations shall not exceed the following amounts:

(1) Thirty-eight million dollars ($38,000,000) in the fiscal year ending September 30, 2025.

(2) Sixty million dollars ($60,000,000) in the fiscal year ending September 30, 2026.

(3) Eighty million dollars ($80,000,000) in the fiscal year ending September 30, 2027, and for each fiscal year of the State of Alabama thereafter.

(b) No more than two million dollars ($2,000,000) shall be contributed to any eligible rural hospital in any tax year, to be limited by the annual aggregate amount applicable in subsection (a).

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

Section 10. (a) The department shall adopt rules pursuant to the Alabama Administrative Procedure Act necessary to carry out the board's obligations and implement and administer the tax credit as set out in this act.

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

Section 11. The state income tax credit created by this act may also qualify for federal income tax credits or deductions, but it is not intended for any qualified donation under this act to automatically qualify for any federal income tax credit or deduction.

Section 12. This act shall become effective on October 1, 2024.