

SB326 INTRODUCED



1 6OIX11-1
2 By Senator Weaver
3 RFD: Finance and Taxation General Fund
4 First Read: 16-May-23
5 2023 Regular Session



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SYNOPSIS:

This bill would set up a Rural Hospital Investment Program to act 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. Hospitals would use the gifts to pay for their provision of acute care to rural populations. 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 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



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29 Relating to rural hospitals; to provide for funding of
30 rural hospitals by creating the Rural Hospital Investment
31 Program; to establish a governing board to administer the
32 program, to provide for a state income tax credit in exchange
33 for donations to rural hospitals; and to provide for
34 coordination with the Department of Revenue.

35 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

36 Section 1. This act, the purpose of which is to
37 generate additional funds for eligible rural hospitals in
38 order to strengthen their financial viability, shall be known
39 and may be cited as the "Rural Hospital Investment Act of
40 2023."

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

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

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

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

47 (4) INCOME TAX LIABILITY. The amount of tax levied on a
48 person's income for the tax year pursuant to Section 40-18-2,
49 Code of Alabama 1975.

50 (5) PROGRAM. The Rural Hospital Investment Program.

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

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

55 (8) RURAL HOSPITAL. A general acute care hospital or
56 critical access hospital determined to be located in a rural



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57 area as set out in Section 4(2) of this act.

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

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

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

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

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

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

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

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

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

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

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

83 (3) A vacancy on the board of a representative of the
84 Alabama Hospital Association shall be filled by the Alabama



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85 Hospital Association before the next scheduled meeting of the
86 board and the appointee shall serve for the remainder of the
87 unexpired term.

88 (d) Designees or appointees to the board shall reflect
89 the racial, gender, geographic, rural, and economic diversity
90 of the state.

91 (e) (1) No later than three months after the effective
92 date of this act the Governor shall call the first meeting of
93 the board, at which the members shall elect a chair.

94 (2)a. The board shall meet at least once a year in
95 Montgomery, Alabama, but shall meet as necessary in order to
96 conduct its business.

97 b. A quorum for a meeting of the board shall be four
98 members.

99 c. The board may meet by electronic means, so long as
100 there is a quorum of participating members.

101 (3) The legislative members of the board shall be
102 entitled to their legislative compensation, per diem, and
103 travel expenses for each day they attend a meeting of the
104 board pursuant to Section 49 of the Constitution of Alabama of
105 2022.

106 (4) The non-legislative members of the board shall
107 serve without compensation but may be reimbursed for necessary
108 expenses in attending meetings of the board pursuant to the
109 policies of their respective designating or appointing
110 authority.

111 Section 4. In order to receive qualified donations as
112 an eligible rural hospital under the program, a health care



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113 institution shall meet all of the following requirements:

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

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

122 (3) Provide hospital services to both Medicaid and
123 Medicare 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) Submit to the board a written five-year plan that
129 describes the financial viability and stability of the
130 hospital, with a plan detailing how it would use qualified
131 donations under the program, and update the written plan five
132 years after the initial plan is submitted and every five years
133 thereafter.

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

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



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

145 Section 6. (a) An eligible rural hospital shall only
146 use qualified donations for the purpose of providing health
147 care to the residents of the area which it serves, which may
148 include not only operational expenditures, but also
149 expenditures for maintenance, capital upgrades, and
150 improvements.

151 (b) An eligible rural hospital may retain a person to
152 solicit or manage the qualified donations it receives for a
153 percentage fee of the qualified donations solicited or
154 managed, but total fees shall not exceed five percent of the
155 total amount of qualified donations received during a calendar
156 year.

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

161 (1) A schedule of each qualifying donation it received
162 during the preceding tax year which includes the amount,
163 identifies the qualified donor, and describes how the
164 qualified donation was or is planned to be spent.

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

168 Section 7. No later than the fourth quarter of each



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169 calendar year, the board and the department shall prepare
170 jointly a report that at a minimum shall include all qualified
171 donations reported by eligible rural hospitals and all tax
172 credits claimed and approved for the preceding tax year, to be
173 provided to the Legislature no later than the fifth day of its
174 next regular session.

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

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

183 (2) In the case of qualified donors who are married
184 filing a joint return, 100 percent of the amount donated in
185 the initial tax year and in each tax year thereafter, with a
186 contribution limit each tax year of thirty thousand dollars
187 (\$30,000).

188 (3)a. In the case of a qualified donor that is taxed as
189 a pass-through entity under subchapters S or K of the Internal
190 Revenue Code, a limited liability company, or a professional
191 corporation, a contribution limit each tax year of four
192 hundred fifty thousand dollars (\$450,000).

193 b. The tax credit shall be taken by the taxpayer on a
194 pro rata basis according to an individual's percentage of
195 ownership in the entity or fifteen thousand dollars (\$15,000),
196 whichever is less.



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197 (4) In the case of a qualified donor that is taxed as a
198 corporation under subchapter C of the Internal Revenue Code,
199 an amount each tax year not to exceed the amount donated or 75
200 percent of the corporation's income tax liability, whichever
201 is less, with a contribution limit each tax year of five
202 hundred thousand dollars (\$500,000).

203 (b) (1) In no event shall the total amount of the tax
204 credit for a given tax year exceed the taxpayer's income tax
205 liability.

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

209 (c) The income tax credit shall be effective January 1,
210 2024, for the 2024 tax year.

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

214 (1) Thirty-eight million dollars (\$38,000,000) in the
215 fiscal year ending September 30, 2024.

216 (2) Sixty million dollars (\$60,000,000) in the fiscal
217 year ending September 30, 2025.

218 (3) Eighty million dollars (\$80,000,000) in the fiscal
219 year ending September 30, 2026, and for each fiscal year of
220 the State of Alabama thereafter.

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



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

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

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

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

241 Section 12. This act shall become effective on the
242 first day of the third month following its passage and
243 approval by the Governor, or its otherwise becoming law.