

1 SB195  
2 204040-4  
3 By Senator Livingston  
4 RFD: Fiscal Responsibility and Economic Development  
5 First Read: 18-FEB-20

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

This bill would terminate the existing rural physician income tax credit effective December 31, 2020, and would authorize a physician claiming the credit for the tax year ending on December 31, 2020, to claim the credit under the revised act for the remainder of the five year credit period available under the prior law.

This bill would further provide a new rural dentist and rural physician income tax credit effective for tax year beginning after January 1, 2021. The bill would define practices, rural dentist and physician, and rural community. A rural community would be defined as a rural area under federal law. The requirements that a rural 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, 2020, 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, 2020, may claim the exemption under  
21 Division 1 of Article 4A for tax year 2020.

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 2021 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 2020 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, 2021, unless, after January 1, 2021, 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, 2020, 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.