

Alabama Rural Hospital Investment Tax Credit

Supporting Rural Healthcare While Reducing Alabama Tax Liability

What Is the Alabama Rural Hospital Investment Tax Credit?

The **Alabama Rural Hospital Investment Tax Credit** is a new state incentive that provides a **dollar-for-dollar Alabama tax credit** for qualifying cash contributions made to eligible rural hospitals or approved third-party entities that support those hospitals.

The program is designed to strengthen rural healthcare access while offering meaningful tax planning opportunities for Alabama taxpayers.

Why This Matters to You

- ✓ 100% state tax credit for qualifying contributions
- ✓ Supports financially distressed rural hospitals in Alabama
- ✓ Available to individuals, businesses, and pass-through entities
- ✓ Credits may offset multiple Alabama taxes

Key Program Details

Effective Period:

Tax years beginning **January 1, 2026** (subject to annual caps)

Statewide Credit Cap:

Allocated annually on a **first-come, first-served basis**

Credit Value:

- Equal to **100% of the contribution amount (see contribution limits later)**
- Non-refundable, with **carryforward up to three years**
- Credits are **not transferable**

Taxes the Credit Can Offset

The credit may be applied against:

- Alabama income tax
- Financial institution excise tax
- Insurance premiums tax
- Certain utility taxes

Who Can Participate?

Eligible contributors along with their annual contribution limit:

- Individuals filing single, head of household, or married separately: Up to \$15,000
- Married couples filing jointly: Up to \$30,000
- Pass-through entities: Up to \$450,000 (Electing pass-through entities must report the credit on their Electing Pass-Through Entity return. Non-electing pass-through entities shall distribute the credit to their owners on a pro rata basis. Each owner receiving an allocated share of the credit may claim the credit up to the applicable filing limit based on the owner's tax type.)
- Corporations: The lesser of 100% of the donation or 75% of their income tax liability, up to \$500,000
- Financial institutions: The lesser of 100% of the donation or 75% of their income tax liability, up to \$500,000
- Insurance companies: The lesser of 100% of the donation or 75% of their income tax liability, up to \$500,000
- Utility taxpayers: The lesser of 100 percent of the donation or the total utility taxes paid.

Note: To claim the credit against utility taxes, a taxpayer must have a utility tax direct pay permit. In accordance with Revenue Rule 810-6-5-.26.02, a utility tax direct pay permit is only available to a person or entity purchasing utility services and receiving more than one bill from any **one** utility company.

Where Contributions Go

Funds may be directed to:

- **Approved rural hospitals**, or
- **State-approved third-party organizations** that distribute funds to rural hospitals based on financial need

Eligible hospitals are determined annually by a state oversight board.

How the Process Works

1. **Reserve the tax credit** through the Alabama Department of Revenue portal
2. **Make the contribution** within the required timeframe
3. **Hospital or third party certifies** the contribution
4. **Claim the credit** on your Alabama tax return

⚠ Because credits are limited, **early planning is critical**.

How HHB Can Help

HHB assists clients with:

- Evaluating eligibility and tax impact
- Coordinating credit reservations
- Structuring contributions efficiently
- Integrating the credit into overall tax planning
- Compliance and documentation support

Next Steps

If you are interested in leveraging this credit as part of your Alabama tax strategy, please contact your **HHB advisor** to discuss timing, limits, and planning opportunities.

This handout is for informational purposes only and does not constitute tax advice. Credit availability and eligibility are subject to statutory limits and administrative approval.

Below you will find a list of the hospitals eligible to receive the donations.

Rural Hospital Investment Program (RHIP) Tax Credit Board Approved Eligible Rural Hospitals 2025/2026

The Rural Hospital Investment Program Board provides the ranking of eligible rural hospitals according to their level of financial need. The ranking is organized into tiers, with each lower-numbered tier indicating a higher level of financial need. Accordingly, hospitals classified in Tier 1 demonstrate the greatest financial need, while those in Tier 5 reflect the lowest level of financial need.

Approved Eligible Rural Hospital	Tier
Andalusia Health	5
Athens Limestone Hospital	4
Atmore Community Hospital	1
Atrium Health Cherokee Medical Center	5
Baptist Health Walker Hospital	5
Bibb Medical Center	4
Citizens Baptist Medical Center	4
Clay County Health Authority	3
Community Hospital, Inc. (Tallassee, AL)	2
Coosa Valley Medical Center	4
Crenshaw Community Hospital	2
Cullman Regional Medical Center	3
D.W. McMillan Memorial Hospital	3
Dale Medical Center	5
DeKalb Regional Medical Center	2
EAMC-Lanier Rural Emergency Hospital	4
Evergreen Medical Center	2
Fayette Medical Center	2
Foley Hospital Company, LLC dba Baldwin Health	5
Greene County Hospital	5
Grove Hill Memorial Hospital	1
Hale County Hospital	3
HH Health System-Jackson, LLC dba Highlands Medical Center	1

HH Health Systems, Shoals LLC dba Red Bay Hospital	1
Hill Hospital of Sumter County	5
J Paul Jones Rural Emergency Hospital	3
Jackson Medical Center	1
Lake Martin Community Hospital	1
Lakeland Community Hospital	3
Marion Regional Medical Center	1
Marshall Medical Center North	3
Marshall Medical Center South	3
Medical Center Barbour	1
Mizell Memorial Hospital	2
Monroe County Hospital	2
North Baldwin Infirmary	4
Northwest Medical Center, Inc.	4
QHG of Enterprise, Inc. dba Medical Center Enterprise	5
Regional Medical Center of Central Alabama	3
Russellville Hospital	2
Tanner Medical Center – East Alabama	1
The Russell Hospital Corporation, Inc.	4
Tombigbee Healthcare Authority, dba Whitfield Regional Hospital	1
Troy Regional Medical Center	4
UAB St. Vincent’s Blount	2
UAB St. Vincent’s Chilton	3
UAB St. Vincent’s St. Clair	2
Vaughan Regional Medical Center	5
Washington County Hospital	5
Wiregrass Medical Center	4