

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

A Bill

HOUSE BILL 1674

5 By: Representative L. Johnson
6
7

For An Act To Be Entitled

9 AN ACT TO PROVIDE FOR AN INCOME TAX INCENTIVE FOR
10 DONATIONS TO A RURAL HOSPITAL ORGANIZATION; TO CREATE
11 AN INCOME TAX CREDIT FOR CONTRIBUTIONS TO CERTAIN
12 RURAL HOSPITAL ORGANIZATIONS; TO CREATE THE HELPING
13 ENHANCE ACCESS TO RURAL TREATMENT (HEART) ACT; AND
14 FOR OTHER PURPOSES.
15
16

Subtitle

17
18 TO CREATE AN INCOME TAX CREDIT FOR
19 CONTRIBUTIONS TO CERTAIN RURAL HOSPITAL
20 ORGANIZATIONS; AND TO CREATE THE HELPING
21 ENHANCE ACCESS TO RURAL TREATMENT
22 (HEART) ACT.
23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
25

26 SECTION 1. Arkansas Code Title 20, Chapter 12, is amended to add an
27 additional subchapter to read as follows:
28

29 Subchapter 7 – Helping Enhance Access to Rural Treatment (HEART) Act
30

31 20-12-701. Title.

32 This subchapter shall be known and may be cited as the "Helping Enhance
33 Access to Rural Treatment (HEART) Act".
34

35 20-12-702. Definitions.

36 As used in this subchapter:



1 (1) “Critical access hospital” means a hospital that is
 2 designated by the Centers for Medicare and Medicaid Services as a critical
 3 access hospital and that is recognized by the Department of Health as a
 4 critical access hospital for purposes of Medicaid;

5 (2) “Rural county” means a county having a population of less
 6 than fifty thousand (50,000) according to the most recent federal decennial
 7 census, excluding any military personnel and their dependents living in a
 8 county that contains a military base or installation; and

9 (3) “Rural hospital organization” means a licensed acute care
 10 hospital that:

11 (A) Either provides inpatient hospital services at a
 12 facility located in a rural county or is a critical access hospital;

13 (B) Participates in both Medicaid and Medicare and accepts
 14 both Medicaid and Medicare patients;

15 (C) Provides healthcare services to indigent patients;

16 (D) Has at least ten percent (10%) of its annual net
 17 revenue categorized as indigent care, charity care, or bad debt;

18 (E) Annually files either:

19 (i) IRS Form 990, Return of Organization Exempt From
 20 Income Tax, with the department; or

21 (ii) For any hospital not required to file IRS Form
 22 990, the form prescribed by the department that collects the same information
 23 as the IRS Form 990;

24 (F) Is operated by a county or municipal authority or is
 25 designated as a tax-exempt organization under 26 U.S.C. § 501(c)(3), as it
 26 existed on January 1, 2025; and

27 (G) Is current with all audits and reports required by
 28 law.

29
 30 20-12-703. Powers and duties of Department of Health – List of
 31 approved rural hospital organizations.

32 (a) The Department of Health may accept and expend any donations and
 33 contributions received under this subchapter.

34 (b) The Department of Health shall:

35 (1) By December 1 of each year, approve a list of rural hospital
 36 organizations eligible to receive contributions from the income tax credit

1 provided under § 26-51-518 and transmit the list to the Department of Finance
2 and Administration;

3 (2)(A) Create an operations manual for identifying rural
4 hospital organizations and ranking rural hospital organizations in order of
5 financial need.

6 (B) The operations manual required under subdivision
7 (b)(2)(A) of this section shall include without limitation:

8 (i) All deadlines for rural hospital organizations
9 to submit the required information to the Department of Health;

10 (ii) The criteria to be included in the five-year
11 plan required under § 20-12-704 for rural hospital organizations; and

12 (iii) The formula applied to rank rural hospital
13 organizations in order of financial need;

14 (3) Prepare an annual report compiling the information received
15 under § 20-12-704 and submit it to the Chair of the House Committee on Public
16 Health, Welfare, and Labor and the Chair of the Senate Committee on Public
17 Health, Welfare, and Labor; and

18 (4) Post the following information in a prominent location on
19 the Department of Health's website:

20 (A) The list of rural hospital organizations eligible to
21 receive contributions as approved under subdivision (b)(1) of this section;

22 (B) The operations manual required under subdivision
23 (b)(2) of this section;

24 (C) The annual report required under subdivision (b)(3) of
25 this section;

26 (D) The total amount received by each third party that
27 participated in soliciting, administering, or managing contributions under
28 this subchapter; and

29 (E) A link to the Department of Finance and
30 Administration's website containing the information required under § 26-51-
31 518(h).

32
33 20-12-704. Requirements for rural hospital organizations.

34 (a)(1) Before a rural hospital organization is included on the list
35 required under § 20-12-703 and is eligible to receive contributions from the
36 income tax credit provided under § 26-51-518, the rural hospital organization

1 shall submit to the Department of Health a five-year plan detailing the
2 financial viability and stability of the rural hospital organization.

3 (2) The criteria to be included in the five-year plan required
4 under subdivision (a)(1) of this section shall be established by the
5 department under § 20-12-703.

6 (b)(1) A rural hospital organization that receives contributions under
7 § 26-51-518 shall:

8 (A) Use the contributions received under § 26-51-518 for
9 the provision of healthcare-related services for residents of a rural county
10 or for residents of the area served by a critical access hospital; and

11 (B) Report on a form provided by the department:

12 (i) All contributions received from individual and
13 corporate donors under § 26-51-518 detailing the manner in which the
14 contributions received were expended by the rural hospital organization; and

15 (ii)(a) Any payments made to a third party to
16 solicit, administer, or manage the contributions received by the rural
17 hospital organization under this subchapter or § 26-51-518.

18 (b) Payments made to a third party to solicit,
19 administer, or manage the contributions received under this subchapter shall
20 not exceed three percent (3%) of the total amount of the contributions
21 received by a rural hospital organization.

22
23 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 5, is
24 amended to add an additional section to read as follows:

25 26-51-518. Contributions to rural hospital organizations.

26 (a) As used in this section, "rural hospital organization" means an
27 organization that is approved by the Department of Health under the Helping
28 Enhance Access to Rural Treatment (HEART) Act, § 20-12-701 et seq.

29 (b)(1)(A) There is allowed an income tax credit against the income tax
30 imposed by this chapter in the amount determined under subdivision (b)(1)(B)
31 of this section for contributions made to a rural hospital organization.

32 (B) Except as otherwise provided in this section, the
33 credit allowed under this subdivision (b)(1) shall be in the following
34 amounts:

35 (i) For an individual or a head of household, the
36 actual amount contributed;

1 (ii) For a married couple filing a joint return, the
2 actual amount contributed; or

3 (iii) For an individual who is a member of a limited
4 liability company formed under state law, a shareholder of a Subchapter S
5 corporation, or a partner in a partnership, the amount contributed using
6 income on which tax was actually paid by the individual under this chapter or
7 under the Elective Pass-Through Entity Tax Act, § 26-65-101 et seq.

8 (2) There is allowed an income tax credit against the income tax
9 imposed by this chapter for contributions made to a rural hospital
10 organization by a corporation or other entity in an amount not to exceed the
11 lesser of the actual amount expended or seventy-five percent (75%) of the
12 liability of the corporation or other entity under this chapter.

13 (c)(1) From January 1 to June 30 each taxable year, an individual
14 taxpayer is limited in the rural hospital organization contributions that are
15 allowable for credit under this section.

16 (2) The rural hospital organization contributions approved by
17 the Secretary of the Department of Finance and Administration for the period
18 of January 1 to June 30 of a taxable year shall not exceed the following
19 limits:

20 (A) For an individual or a head of household, five
21 thousand dollars (\$5,000);

22 (B) For a married couple filing a joint return, ten
23 thousand dollars (\$10,000); or

24 (C) For an individual who is a member of a limited
25 liability company formed under state law, a shareholder of a Subchapter S
26 corporation, or a partner in a partnership, ten thousand dollars (\$10,000).

27 (d)(1) The amount of the income tax credit under this section that may
28 be claimed by the taxpayer in a tax year shall not exceed the amount of
29 income tax due by the taxpayer.

30 (2) Any unused income tax credit under this section may be
31 carried forward for five (5) consecutive tax years following the tax year in
32 which the income tax credit was earned.

33 (3) A taxpayer shall not claim the credit allowed under this
34 section against prior years' tax liability.

35 (e)(1) The aggregate amount of credits allowed under this section
36 shall not exceed seventy-five million dollars (\$75,000,000) in a taxable

1 year.

2 (2)(A)(i) Total contributions to an individual rural hospital
3 organization shall not exceed four million dollars (\$4,000,000) in a taxable
4 year.

5 (ii) From January 1 to June 30 each taxable year,
6 the secretary shall not preapprove contributions submitted by:

7 (a) Individual taxpayers in an amount that
8 exceeds two million dollars (\$2,000,000) to an individual rural hospital
9 organization; and

10 (b) Corporate donors in an amount that exceeds
11 two million dollars (\$2,000,000) to an individual rural hospital
12 organization.

13 (iii) Subject to the limits otherwise stated in this
14 subsection, from July 1 to December 31 each taxable year, the secretary shall
15 approve contributions submitted by individual taxpayers and corporations or
16 other entities.

17 (B) If an individual or corporate donor desires to make a
18 contribution to an individual rural hospital organization that has received
19 the maximum amount of contributions for that taxable year under this section,
20 the Department of Health shall provide the individual or corporate donor with
21 a list, ranked in order of financial need, as determined by the Department of
22 Health, of rural hospital organizations still eligible to receive
23 contributions under this section for the taxable year.

24 (C) If an individual or corporate donor desires to make a
25 contribution to an unspecified or undesignated rural hospital organization,
26 either directly to the Department of Health or through a third party that
27 participates in soliciting, administering, or managing contributions, the
28 contribution shall be attributed to the rural hospital organization ranked
29 with the highest financial need by the Department of Health that has not yet
30 received the maximum amount of contributions for that taxable year,
31 regardless of whether a third party has a contractual relationship or
32 agreement with the rural hospital organization.

33 (D) A third party that participates in soliciting,
34 advertising, or managing contributions to rural hospital organizations shall
35 provide the complete list of rural hospital organizations eligible to receive
36 the credit provided under this section, including their ranking in order of

1 financial need as determined by the Department of Health under the Helping
2 Enhance Access to Rural Treatment (HEART) Act, § 20-12-701 et seq., to any
3 potential donor regardless of whether the third party has a contractual
4 relationship or agreement with the rural hospital organization.

5 (3)(A) For purposes of subdivisions (e)(1) and (e)(2) of this
6 section, a rural hospital organization shall notify a potential donor of the
7 requirements of this section.

8 (B)(i) Before making a contribution to a rural hospital
9 organization, a taxpayer shall electronically notify the Department of
10 Finance and Administration, in a manner specified by the Department of
11 Finance and Administration, of the total amount of contribution that the
12 taxpayer intends to make to the rural hospital organization under this
13 section.

14 (ii) The secretary shall preapprove or deny the
15 requested amount within thirty (30) days after receiving the request from the
16 taxpayer and shall provide written notice to the taxpayer and rural hospital
17 organization of the preapproval or denial, which shall not require a signed
18 release or notarized approval by the taxpayer.

19 (iii) To receive a credit under this section, the
20 taxpayer shall make the preapproved contribution to the rural hospital
21 organization within one hundred eighty (180) days after receiving notice from
22 the secretary that the requested amount was preapproved.

23 (iv) If a taxpayer does not comply with this
24 subdivision (e)(3), the secretary shall not include the preapproved
25 contribution amount when calculating the limits prescribed in subdivision
26 (e)(1) and (e)(2) of this section.

27 (4)(A) Preapproval of contributions by the secretary shall be
28 based solely on the availability of credits under this section.

29 (B) A taxpayer that is preapproved by the secretary under
30 this subsection shall retain its preapproval in the event the credit
31 percentage in this section is modified for the year in which the taxpayer was
32 preapproved.

33 (C) Upon the rural hospital organization's confirmation of
34 receipt of contributions that have been preapproved by the secretary, a
35 taxpayer preapproved by the secretary under subdivision (e)(3) of this
36 section shall receive the full benefit of the credit established by this

1 section even if the rural hospital organization to which the taxpayer made a
2 contribution does not properly comply with the reports or filings required
3 under this section.

4 (5) Notwithstanding any laws to the contrary, the Department of
5 Finance and Administration shall not take any adverse action against donors
6 to rural hospital organizations under this section if the secretary
7 preapproved a contribution for a credit under this section before the date
8 the rural hospital organization is removed from the Department of Health list
9 under the Helping Enhance Access to Rural Treatment (HEART) Act, § 20-12-701
10 et seq., and all such contributions shall remain as preapproved credits
11 subject only to the donor's compliance with subdivision (e)(3) of this
12 section.

13 (f)(1) For a taxpayer to claim a credit under this section, a letter
14 of confirmation of contribution issued by the rural hospital organization to
15 which the contribution was made shall be attached to the taxpayer's tax
16 return.

17 (2)(A) If the taxpayer files an electronic return, the
18 confirmation required under subdivision (f)(1) of this section shall be
19 required to be electronically attached to the return only if the Internal
20 Revenue Service allows such attachments when the return is transmitted to the
21 Department of Finance and Administration.

22 (B) If a taxpayer files an electronic return and the
23 confirmation required under subdivision (f)(1) of this section is not
24 attached because the Internal Revenue Service does not, at the time of the
25 electronic filing, allow electronic attachments to an Arkansas return, the
26 confirmation required under subdivision (f)(1) of this section shall be
27 maintained by the taxpayer and made available upon request by the secretary.

28 (3) The letter of confirmation of contribution required under
29 subdivision (f)(1) of this section shall contain the:

30 (A) Taxpayer's name;

31 (B) Taxpayer's address;

32 (C) Taxpayer's tax identification number;

33 (D) Amount of the contribution;

34 (E) Date of the contribution; and

35 (F) Amount of the credit allowed under this section.

36 (g) A credit shall not be allowed under this section with respect to

1 any amount deducted from taxable net income by the taxpayer as a charitable
2 contribution to a bona fide charitable organization qualified under 26 U.S.C.
3 § 501(c)(3).

4 (h) The Department of Finance and Administration shall post the
5 following information in a prominent location on its website:

6 (1) All pertinent timelines relating to the credit allowed under
7 this section, including without limitation the:

8 (A) Beginning date when contributions can be submitted for
9 preapproval by donors for the January 1 to June 30 period;

10 (B) Ending date when contributions can be submitted for
11 preapproval by donors for the January 1 to June 30 period;

12 (C) Beginning date when contributions can be submitted for
13 preapproval by donors for the July 1 to December 31 period;

14 (D) Ending date when contributions can be submitted for
15 preapproval by donors for the July 1 to December 31 period; and

16 (E) Date by which preapproved contributions are required
17 to be sent to the rural hospital organization;

18 (2) The list and ranking order of rural hospital organizations
19 eligible to receive contributions established under the Helping Enhance
20 Access to Rural Treatment (HEART) Act, § 20-12-701 et seq.;

21 (3) A monthly progress report, including without limitation the:

22 (A) Total preapproved contributions under this section to
23 date by each rural hospital organization;

24 (B) Total contributions received under this section to
25 date by each rural hospital organization;

26 (C) Total aggregate amount of preapproved contributions
27 made under this section to date; and

28 (D) Aggregate amount of credits available under this
29 section; and

30 (4) A list of all preapproved contributions that were made to an
31 unspecified or undesignated rural hospital organization and the rural
32 hospital organizations that received the preapproved contributions.

33 (i) The Department of Inspector General shall conduct annually an
34 audit of the tax credit program established under this section, including
35 without limitation:

36 (1) The amount and the name of the recipient rural hospital

1 organization for each contribution made under this section;

2 (2) All credits received by individual and corporate taxpayers
3 under this section; and

4 (3) All amounts received by third parties that solicited,
5 administered, or managed contributions related to this section and the
6 Helping Enhance Access to Rural Treatment (HEART) Act, § 20-12-701 et seq.

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8 SECTION 3. EFFECTIVE DATE. Section 2 of this act is effective for tax
9 years beginning on or after January 1, 2025.

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