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MAR 5 1996  
WAYS & MEANS CALENDAR

HOUSE FILE **2432**  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 736)

Passed House, Date 4/9/96 (p. 1473) Passed Senate, <sup>(p. 1442)</sup> Date 4-18-96  
Vote: Ayes 95 Nays 1 Vote: Ayes 50 Nays 0  
Approved 4/23/96

A BILL FOR

1 An Act relating to the taxation of payments received by organized  
2 health care delivery systems.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2432

1 Section 1. NEW SECTION. 135.120 TAXATION OF ORGANIZED  
2 DELIVERY SYSTEMS.

3 Payments received by an organized delivery system licensed  
4 by the director for health care services, insurance,  
5 indemnity, or other benefits to which an enrollee is entitled  
6 through an organized delivery system authorized under 1993  
7 Iowa Acts, chapter 158, and payments by an organized delivery  
8 system licensed by the director to providers for health care  
9 services, to insurers, or corporations authorized under  
10 chapter 514 for insurance, indemnity, or other service  
11 benefits authorized under 1993 Iowa Acts, chapter 158, are not  
12 premiums received and taxable under the provisions of section  
13 432.1 for the first five years of the existence of the  
14 organized delivery system, its successors or assigns, or the  
15 first five years after the effective date of this section,  
16 whichever is the later. After the first five years, the  
17 payments received shall be considered premiums received and  
18 shall be taxable under the provisions of section 432.1.  
19 However, payments made by the United States secretary of  
20 health and human services under contracts issued under section  
21 1833 or 1876 of the federal Social Security Act, section 4015  
22 of the federal Omnibus Budget Reconciliation Act of 1987, or  
23 chapter 249A for enrolled members shall not be considered  
24 premiums received and shall not be taxable under section  
25 432.1.

26 Sec. 2. Section 1 of this Act is to be codified as a  
27 separate division in chapter 135 unless the Code editor  
28 determines a more appropriate chapter.

29 EXPLANATION

30 The bill provides that payments received by an organized  
31 health care delivery system licensed by the director of public  
32 health shall be taxed in the same manner as payments received  
33 by a health maintenance organization. This method is an  
34 exemption from tax for the first five years with complete  
35 taxation after that time.

HOUSE FILE 2432  
FISCAL NOTE

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A fiscal note for House File 2432 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 2432 provides that payments received by an organized health care delivery system (ODS) licensed by the director of public health shall be taxed in the same manner as payments received by a health maintenance organization (HMO). The result would be a five-year insurance premium tax exemption for an eligible ODS.

Currently, there is only one ODS in the State that would qualify for the reclassification. The organization has indicated that it will pay \$100,000 in insurance premium taxes in the current tax year.

FISCAL IMPACT

House File 2432 is expected to result in a decrease in revenues to the General Fund of approximately \$100,000 in FY 1997 and the following four fiscal years. This estimate does not take into account the creation of additional ODS organizations in the future. (LSB 4292hv, JAM)

FILED MARCH 6, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

*Stinkla, Chair  
Halvorson  
Bernau*

HSB 736

WAYS AND MEANS

Succeeded By

HOUSE FILE

SE/HF

BY (PROPOSED COMMITTEE ON

WAYS AND MEANS BILL

BY CHAIRPERSON HALVORSON)

Passed House, Date \_\_\_\_\_

Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the taxation of payments received by organized  
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1 Section 1. NEW SECTION. 432.13 PARTIAL PREMIUM TAX  
2 EXEMPTION FOR ORGANIZED DELIVERY SYSTEMS.

3 Payments received by an organized delivery system for  
4 health care services, insurance, indemnity, or other benefits  
5 to which an enrollee is entitled through an organized delivery  
6 system authorized under 1993 Iowa Acts, chapter 158, and  
7 payments by an organized delivery system to providers for  
8 health care services, to insurers, or corporations authorized  
9 under chapter 514 for insurance, indemnity, or other service  
10 benefits authorized under 1993 Iowa Acts, chapter 158, are not  
11 premiums received and taxable under the provisions of section  
12 432.1 for the first five years of the existence of the  
13 organized delivery system, its successors or assigns, or the  
14 first five years after the effective date of this section,  
15 whichever is the later. After the first five years, the  
16 payments received shall be considered premiums received and  
17 shall be taxable under the provisions of section 432.1.  
18 However, payments made by the United States secretary of  
19 health and human services under contracts issued under section  
20 1833 or 1876 of the federal Social Security Act, section 4015  
21 of the federal Omnibus Budget Reconciliation Act of 1987, or  
22 chapter 249A for enrolled members shall not be considered  
23 premiums received and shall not be taxable under section  
24 432.1.

25 EXPLANATION

26 The bill provides that payments received by an organized  
27 health care delivery system shall be taxed in the same manner  
28 as payments received by a health maintenance organization.  
29 This method is an exemption from tax for the first five years  
30 with complete taxation after that time.

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HOUSE FILE 2432

AN ACT

RELATING TO THE TAXATION OF PAYMENTS RECEIVED BY ORGANIZED  
HEALTH CARE DELIVERY SYSTEMS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 135.120 TAXATION OF ORGANIZED  
DELIVERY SYSTEMS.

Payments received by an organized delivery system licensed by the director for health care services, insurance, indemnity, or other benefits to which an enrollee is entitled through an organized delivery system authorized under 1993 Iowa Acts, chapter 158, and payments by an organized delivery system licensed by the director to providers for health care services, to insurers, or corporations authorized under chapter 514 for insurance, indemnity, or other service benefits authorized under 1993 Iowa Acts, chapter 158, are not premiums received and taxable under the provisions of section 432.1 for the first five years of the existence of the organized delivery system, its successors or assigns, or the first five years after the effective date of this section, whichever is the later. After the first five years, the payments received shall be considered premiums received and shall be taxable under the provisions of section 432.1. However, payments made by the United States secretary of health and human services under contracts issued under section 1833 or 1876 of the federal Social Security Act, section 4015 of the federal Omnibus Budget Reconciliation Act of 1987, or chapter 249A for enrolled members shall not be considered premiums received and shall not be taxable under section 432.1.

Sec. 2. Section 1 of this Act is to be codified as a separate division in chapter 135 unless the Code editor determines a more appropriate chapter.

\_\_\_\_\_  
RON J. CORBETT  
Speaker of the House

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LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2432, Seventy-sixth General Assembly.

Approved 4/23, 1996

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ELIZABETH ISAACSON  
Chief Clerk of the House

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TERRY E. BRANSTAD  
Governor

HF 2432