

**House File 2739 - Introduced**

HOUSE FILE 2739  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 762)

**A BILL FOR**

1 An Act relating to state finances by modifying the taxes imposed  
2 on health maintenance organizations, making transfers from the  
3 taxpayer relief fund, making and supplementing appropriations  
4 to the department of health and human services, and including  
5 effective date, contingent effective date, applicability, and  
6 retroactive applicability provisions.

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

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DIVISION I

HEALTH MAINTENANCE ORGANIZATION TAXATION

Section 1. Section 249A.13, subsection 1, Code 2026, is amended to read as follows:

1. A Medicaid managed care organization ~~premiums~~ health care tax fund is created in the state treasury under the authority of the department of health and human services. Moneys collected by the director of the department of revenue as taxes ~~on premiums~~ pursuant to section ~~432.1B~~ 432B.2 shall be deposited in the fund.

Sec. 2. Section 432.1, unnumbered paragraph 1, Code 2026, is amended to read as follows:

Every insurance company or association of whatever kind or character, not including fraternal beneficiary associations, health maintenance organizations, and nonprofit hospital and medical service corporations, shall, as required by law, pay to the director of the department of revenue, or to a depository designated by the director, as taxes, an amount equal to the following, except that the premium tax applicable to county mutual insurance associations shall be governed by section 518.18:

Sec. 3. Section 432.1, subsection 2, unnumbered paragraph 1, Code 2026, is amended to read as follows:

The "*applicable percent*" for purposes of subsection 1 of this section, ~~section 432.1B~~, and section 432.2 is the following:

Sec. 4. NEW SECTION. **432B.1 Definitions.**

As used in this chapter:

1. "*Commissioner*" means the commissioner of insurance.
2. "*Health maintenance organization*" means the same as defined in section 514B.1. "*Health maintenance organization*" includes a health maintenance organization contracting with the department of health and human services to administer the medical assistance program under chapter 249A.
3. a. "*Taxable funds*" means all of the following:
  - (1) Payments received by the health maintenance organization for health care services, insurance, indemnity, or other benefits

1 to which an enrollee is entitled through a health maintenance  
2 organization.

3 (2) Payments made by the health maintenance organization  
4 to providers for health care services, to insurers, or  
5 to corporations authorized under chapter 514 for insurance,  
6 indemnity, or other authorized service benefits, except a payment  
7 made by a health maintenance organization that qualifies both  
8 as a payment received under subparagraph (1) and a payment made  
9 under this subparagraph, shall be considered taxable funds under  
10 subparagraph (1).

11 b. "Taxable funds" does not include payments made to a health  
12 maintenance organization by the United States secretary of health  
13 and human services under a contract issued under section 1833 or  
14 1876 of the federal Social Security Act, or under section 4015 of  
15 the federal Omnibus Budget Reconciliation Act of 1987.

16 Sec. 5. NEW SECTION. **432B.2 Imposition of health**  
17 **care-related tax.**

18 1. Each health maintenance organization transacting business  
19 in the state shall be subject to a health care-related tax  
20 payable to the director of revenue in an amount equal to the  
21 following applicable percentage of taxable funds:

22 a. For the period in calendar year 2026 beginning January  
23 1, 2026, and ending September 30, 2026, three and one-half  
24 percent. For the period in calendar year 2026 beginning on or  
25 after October 1, 2026, and ending December 31, 2026, ninety-five  
26 hundredths of one percent.

27 b. For the 2027 calendar year and subsequent calendar years,  
28 ninety-five hundredths of one percent.

29 2. The amounts received by the director of revenue from the  
30 imposition of the tax shall be deposited in the health care tax  
31 fund created in section 249A.13.

32 Sec. 6. NEW SECTION. **432B.3 Date tax due — method of**  
33 **payment — statute of limitations.**

34 1. Except as provided in subsection 2, the tax imposed under  
35 this chapter shall be paid on or before March 1 of the year

1 following the calendar year for which the tax is due. The  
2 commissioner may suspend or revoke the license of a health  
3 maintenance organization subject to the health care-related tax  
4 in this chapter that fails to pay the health care-related tax on  
5 or before the due date.

6 2. a. Each health maintenance organization transacting  
7 business in this state that is subject to the tax in section  
8 432B.2 shall remit on or before June 1, on a prepayment basis,  
9 an amount equal to one-half of the product of the current rate  
10 in effect in section 432B.2 and the taxable funds in the prior  
11 calendar year.

12 b. In addition to the prepayment amount in paragraph "a",  
13 each health maintenance organization subject to the tax in this  
14 chapter shall remit on or before August 15, on a prepayment  
15 basis, an additional amount equal to one-half of the product of  
16 the current rate in effect in section 432B.2 and the taxable  
17 funds in the prior calendar year.

18 c. (1) The sums prepaid by a health maintenance organization  
19 under paragraphs "a" and "b" shall be allowed as credits against  
20 the health maintenance organization's health care-related tax  
21 liability for the calendar year during which the payments are  
22 made. If a prepayment made under this subsection exceeds the  
23 health maintenance organization's annual health care-related tax  
24 liability, the excess shall be allowed as a credit against the  
25 health maintenance organization's subsequent prepayment or tax  
26 liabilities under this chapter. The commissioner shall authorize  
27 the department of revenue to make a cash refund to a health  
28 maintenance organization, in lieu of a credit against subsequent  
29 prepayment or tax liabilities under this section, if the health  
30 maintenance organization demonstrates the inability to recoup the  
31 funds paid via a credit.

32 (2) The commissioner shall adopt rules establishing a health  
33 maintenance organization's eligibility for a cash refund, and the  
34 process for the department of revenue to make a cash refund to  
35 an eligible health maintenance organization from the Medicaid

1 managed care organization health care tax fund created in section  
2 249A.13. The commissioner may suspend or revoke the license of  
3 a health maintenance organization that fails to make a prepayment  
4 on or before the due date under this subsection.

5 3. The commissioner shall determine whether or not the tax  
6 remitted is correct. If the tax remitted is not sufficient, the  
7 commissioner shall notify the delinquent company of the amount  
8 of such delinquency and certify the amount to the department of  
9 revenue which shall proceed to collect the delinquency.

10 4. Within five years after the tax return is filed or  
11 within five years after the tax return became due, whichever is  
12 later, the commissioner shall examine the return and determine  
13 the tax. An assessment or a claim for credit must be made  
14 within five calendar years after the annual tax filing is made.  
15 For a five-year period preceding the current calendar year, a  
16 company may apply for a credit, or the commissioner may make  
17 an assessment, as appropriate. The period of examination and  
18 determination of the correct amount of tax is unlimited in the  
19 case of a false or fraudulent return made with the intent to  
20 evade tax or in the case of a failure to file a return.

21 Sec. 7. Section 508C.19, Code 2026, is amended to read as  
22 follows:

23 **508C.19 Credits for assessments paid.**

24 1. An insurer may offset an assessment made pursuant to  
25 section 508C.9 against its premium tax liability pursuant to  
26 chapter 432 or health care-related tax liability pursuant to  
27 chapter 432B to the extent of twenty percent of the amount of the  
28 assessment for each of the five calendar years following the year  
29 in which the assessment was paid. If an insurer ceases doing  
30 business, all uncredited assessments may be credited against its  
31 premium or health care-related tax liability for the year it  
32 ceases doing business.

33 2. Sums acquired by refund from the association which have  
34 been written off by contributing insurers and offset against  
35 premium taxes or health care-related taxes as provided in

1 subsection 1 and are not then needed for purposes of this chapter  
2 shall be paid by the association to the commissioner. The  
3 commissioner shall remit the moneys to the treasurer of state to  
4 deposit in the state general fund.

5 Sec. 8. Section 514B.31, Code 2026, is amended by striking  
6 the section and inserting in lieu thereof the following:

7 **514B.31 Health maintenance organization health care-related**  
8 **taxation.**

9 Every health maintenance organization and including health  
10 maintenance organizations contracting with the department of  
11 health and human services to administer the medical assistance  
12 program under chapter 249A shall be subject to taxation under  
13 chapter 432B.

14 Sec. 9. Section 514E.1, subsection 3, Code 2026, is amended  
15 to read as follows:

16 3. "Carrier" means an insurer providing accident and sickness  
17 insurance under chapter 509, 514, 514A and includes a health  
18 maintenance organization established under chapter 514B if  
19 payments received by the health maintenance organization are  
20 ~~considered premiums pursuant to section 514B.31 and are taxed~~  
21 ~~under chapter 432 subject to the health care-related tax under~~  
22 chapter 432B. "Carrier" also includes a corporation which becomes  
23 a mutual insurer pursuant to section 514.23 and any other person  
24 as defined in section 4.1, subsection 20, who is or may become  
25 liable for the tax imposed by chapter 432 or 432B.

26 Sec. 10. Section 514E.2, subsection 13, Code 2026, is amended  
27 to read as follows:

28 13. An insurer may offset an assessment made pursuant to this  
29 chapter against its premium tax liability pursuant to chapter  
30 432 or against its health care-related tax liability pursuant  
31 to chapter 432B, as applicable, to the extent of twenty percent  
32 of the amount of the assessment for each of the five calendar  
33 years following the year in which the assessment was paid. If an  
34 insurer ceases doing business, all uncredited assessments may be  
35 credited against its premium or health care-related tax liability

1 for the year it ceases doing business.

2 Sec. 11. REPEAL. Section 432.1B, Code 2026, is repealed.

3 Sec. 12. PREMIUM TAX — HEALTH MAINTENANCE ORGANIZATION. For  
4 purposes of imposing the premium tax under section 432.1,  
5 beginning with calendar year 2026, and subsequent calendar years,  
6 a health maintenance organization is not subject to the premium  
7 tax under section 432.1, if the health maintenance organization  
8 is subject to the imposition of the health care-related tax under  
9 chapter 432B, if enacted by this division of this Act.

10 Sec. 13. PREPAYMENT OF TAXES FOR CALENDAR YEAR  
11 2026. Notwithstanding section 432B.3, subsection 2, paragraphs  
12 "a" and "b", if enacted by this division of this Act, the first  
13 prepayment date shall be sixty days and the second prepayment  
14 date shall be one hundred thirty-five days after the effective  
15 date of this division of this Act.

16 Sec. 14. CONTINGENT EFFECTIVE DATE. This division of this  
17 Act takes effect upon the date the department of health and human  
18 services notifies the general assembly and the Code editor of  
19 the approval by the federal centers for Medicare and Medicaid  
20 services of the United States department of health and human  
21 services of the method of taxation upon a health maintenance  
22 organization imposed pursuant to this division of the Act.

23 Sec. 15. RETROACTIVE APPLICABILITY. This division of this  
24 Act applies retroactively to January 1, 2026, for tax years  
25 beginning on or after that date.

26 DIVISION II

27 TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

28 Sec. 16. Section 8.54, subsection 5, paragraph b, Code 2026,  
29 is amended to read as follows:

30 b. For fiscal years in which it is anticipated that moneys  
31 will be transferred from the taxpayer relief fund to the general  
32 fund of the state in accordance with section 8.57E, subsection  
33 2, paragraph "b", the original state general fund expenditure  
34 limitation amount provided for in subsection 3 shall ~~not~~ be  
35 readjusted to include the amount of moneys anticipated to be so

1 transferred. This paragraph is repealed July 1, 2029.

2 Sec. 17. TAXPAYER RELIEF FUND TRANSFER — FEDERAL TAX LAW  
3 CHANGES.

4 1. On the effective date of this division of this Act, there  
5 is transferred from the taxpayer relief fund created in section  
6 8.57E to the general fund of the state, the following amount:

7 ..... \$296,200,000

8 2. The transfer under this section is made in accordance with  
9 section 8.57E, subsection 2, paragraph "a", for state tax relief  
10 based on the reduction in state revenue for the fiscal year  
11 beginning July 1, 2025, associated with 2025 federal tax law  
12 changes pursuant to section 422.3, subsection 5, paragraph "b",  
13 including but not limited to the allowance of income tax  
14 deductions for qualified tips, overtime compensation, and  
15 qualified passenger vehicle loan interest under the federal  
16 Internal Revenue Code, as amended by Pub. L. No. 119-21, commonly  
17 referred to as the One Big Beautiful Bill Act.

18 3. Notwithstanding section 8.54, the state general fund  
19 expenditure limitation amount calculated for the fiscal year  
20 beginning July 1, 2026, shall be readjusted to include one  
21 hundred percent of the moneys transferred under this section.

22 Sec. 18. DEPARTMENT OF HEALTH AND HUMAN SERVICES —  
23 SUPPLEMENTAL APPROPRIATION. There is appropriated from the  
24 general fund of the state to the department of health and human  
25 services for the fiscal year beginning July 1, 2025, and ending  
26 June 30, 2026, the following amount, or so much thereof as is  
27 necessary, to be used for the purposes designated:

28 To supplement the appropriation made for medical assistance  
29 program reimbursement and associated costs in 2025 Iowa Acts,  
30 chapter 169, section 9, unnumbered paragraph 2:  
31 ..... \$ 70,300,000

32 Notwithstanding section 8.33, moneys appropriated in this  
33 section that remain unencumbered or unobligated at the close of  
34 the fiscal year shall not revert but shall remain available for  
35 expenditure for the purposes designated until the close of the



1 authorized under Code chapter 514 for insurance, indemnity, or  
2 other authorized service benefits. The bill excludes from the  
3 definition of taxable funds the payments made to an HMO by  
4 the United States secretary of health and human services under  
5 a contract and pursuant to federal authority. If a payment  
6 qualifies as both a payment received by an HMO for services  
7 provided and a payment made by the HMO to providers, the bill  
8 requires the HMO to classify the payment as a payment received by  
9 the HMO.

10 Currently, the tax rate on premiums in Code section 432.1(2)  
11 is gradually being reduced and the current rate for calendar  
12 year 2026 is .925 percent of premiums. The new tax rates on  
13 the taxable funds of an HMO in the bill are as follows: for  
14 the period in calendar year 2026 beginning January 1, 2026,  
15 and ending September 30, 2026, 3.5 percent; for the period in  
16 calendar year 2026 beginning on or after October 1, 2026, and  
17 ending December 31, 2026, .95 percent; and for the 2027 calendar  
18 year and subsequent calendar years, the rate remains at .95  
19 percent.

20 Currently, the premium tax is due March 1 of the year  
21 following the calendar year for which the tax is due; however,  
22 one-half of the premium taxes are required to be prepaid on June  
23 1 and one-half on August 15. The health care-related tax is also  
24 due on March 1 of the year following the calendar year for which  
25 the tax is due, and the bill establishes the same prepayment  
26 framework. The HMO is required to prepay one-half of the health  
27 care-related tax on June 1 and one-half on August 15. Due to the  
28 effective date of the division being dependent upon notification  
29 of federal approval, for calendar year 2026 the first prepayment  
30 date shall be 60 days and the second prepayment date shall be 135  
31 days after the effective date of the division.

32 The division takes effect upon the date the department of  
33 health and human services notifies the general assembly and the  
34 Code editor of the approval by the federal centers for Medicare  
35 and Medicaid services of the United States department of health

1 and human services of the method of taxation imposed pursuant to  
2 the division. The division applies retroactively to tax years  
3 beginning on or after January 1, 2026.

4 DIVISION II — TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL  
5 APPROPRIATIONS. Under current law, if actual net revenue  
6 for the general fund of the state (GF) is less than net GF  
7 appropriations for a fiscal year, 50 percent of the difference  
8 is transferred from the taxpayer relief fund to the GF. The  
9 anticipated transfer based on a given fiscal year is prohibited  
10 from being used to readjust the state GF expenditure limitation  
11 amount calculated for the fiscal year. The bill strikes that  
12 prohibition beginning with the state GF expenditure limitation  
13 amount calculated for FY 2026-2027.

14 The bill transfers moneys from the taxpayer relief fund to  
15 the GF in an amount based on the reduction in state revenue for  
16 FY 2025-2026 associated with 2025 federal tax law changes, to be  
17 included in the state GF expenditure limitation amount calculated  
18 for FY 2026-2027.

19 The bill makes a supplemental appropriation to the department  
20 of health and human services from the GF for FY 2025-2026 for the  
21 medical assistance program.

22 This division of the bill takes effect upon enactment.