

Senate File 2464 - Introduced

SENATE FILE 2464
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 3182)

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, and retroactive
6 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 2026, and subsequent calendar years, a
6 health maintenance organization is not subject to the premium tax
7 under section 432.1, if the health maintenance organization is
8 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 8.57E, subsection 2, paragraph b,
29 subparagraph (1), Code 2026, is amended to read as follows:

30 (1) (a) For the fiscal year beginning July 1, 2024, ~~and for~~
31 ~~each fiscal year thereafter~~, if the actual net revenue for the
32 general fund of the state for the fiscal year is less than the
33 net general fund appropriation for the fiscal year, there is
34 transferred from the taxpayer relief fund to the general fund of
35 the state an amount equal to fifty percent of the difference or

1 the remaining balance of the taxpayer relief fund, whichever is
2 lower.

3 (b) For the fiscal year beginning July 1, 2025, if the actual
4 net revenue for the general fund of the state for the fiscal year
5 is less than the net general fund appropriation for the fiscal
6 year, there is transferred from the taxpayer relief fund to the
7 general fund of the state an amount equal to one hundred percent
8 of the difference or the remaining balance of the taxpayer relief
9 fund, whichever is lower.

10 (c) For the fiscal year beginning July 1, 2026, if the actual
11 net revenue for the general fund of the state for the fiscal year
12 is less than the net general fund appropriation for the fiscal
13 year, there is transferred from the taxpayer relief fund to the
14 general fund of the state an amount equal to seventy-five percent
15 of the difference or the remaining balance of the taxpayer relief
16 fund, whichever is lower.

17 (d) For the fiscal year beginning July 1, 2027, and for
18 each fiscal year thereafter, if the actual net revenue for the
19 general fund of the state for the fiscal year is less than the
20 net general fund appropriation for the fiscal year, there is
21 transferred from the taxpayer relief fund to the general fund of
22 the state an amount equal to fifty percent of the difference or
23 the remaining balance of the taxpayer relief fund, whichever is
24 lower.

25 Sec. 17. TRANSFER INCREASES FOR TAXPAYER RELIEF. The
26 increases in transfer percentage amounts from the taxpayer relief
27 fund set forth in the section of this division of this Act
28 amending section 8.57E are made in accordance with section
29 8.57E, subsection 2, paragraph "a", for state tax relief based
30 on the reduction in state revenue associated with federal tax
31 law changes pursuant to section 422.3, subsection 5, paragraph
32 "b", including but not limited to the allowance of income
33 tax deductions for qualified tips, overtime compensation, and
34 qualified passenger vehicle loan interest under the federal
35 Internal Revenue Code, as amended by Pub. L. No. 119-21, commonly

1 referred to as the One Big Beautiful Bill Act.

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

8 To supplement the appropriation made for medical assistance
9 program reimbursement and associated costs in 2025 Iowa Acts,
10 chapter 169, section 9, unnumbered paragraph 2:

11 \$ 70,300,000

12 Notwithstanding section 8.33, moneys appropriated in this
13 section that remain unencumbered or unobligated at the close of
14 the fiscal year shall not revert but shall remain available for
15 expenditure for the purposes designated until the close of the
16 succeeding fiscal year.

17 Sec. 19. EFFECTIVE DATE. This division of this Act, being
18 deemed of immediate importance, takes effect upon enactment.

19 EXPLANATION

20 The inclusion of this explanation does not constitute agreement with
21 the explanation's substance by the members of the general assembly.

22 This bill modifies the taxes imposed on health maintenance
23 organizations, makes transfers from the taxpayer relief fund, and
24 makes supplemental appropriations.

25 DIVISION I — HEALTH MAINTENANCE ORGANIZATION

26 TAXATION. Currently, health maintenance organizations premiums
27 (HMO) are subject to taxation under Code chapter 432 (insurance
28 companies tax).

29 The bill defines "HMO" to mean the same as defined in
30 Code section 514B.1, and includes an HMO contracting with the
31 department of health and human services to administer the medical
32 assistance program under Code chapter 249A.

33 The bill strikes the tax on HMO premiums and creates a health
34 care-related tax on the taxable funds of an HMO in new Code
35 chapter 432B. By striking the taxation of HMO premiums in Code

1 chapter 432 and creating the new health care-related tax in Code
2 chapter 432B, the tax credits available to an HMO in Code chapter
3 432 are not available to an HMO in new Code chapter 432B.

4 The bill applies the health care-related tax on the taxable
5 funds of an HMO. The bill defines "taxable funds" to mean
6 payments received by an HMO for health care services, insurance,
7 indemnity, or other benefits to which an enrollee is entitled
8 through an HMO; and payments made by the HMO to providers
9 for health care services, to insurers, or to corporations
10 authorized under Code chapter 514 for insurance, indemnity, or
11 other authorized service benefits. The bill excludes from the
12 definition of taxable funds the payments made to an HMO by
13 the United States secretary of health and human services under
14 a contract and pursuant to federal authority. If a payment
15 qualifies as both a payment received by an HMO for services
16 provided and a payment made by the HMO to providers, the bill
17 requires the HMO to classify the payment as a payment received by
18 the HMO.

19 Currently, the tax rate on premiums in Code section 432.1(2)
20 is gradually being reduced and the current rate for calendar
21 year 2026 is .925 percent of premiums. The new tax rates on
22 the taxable funds of an HMO in the bill are as follows: for
23 the period in calendar year 2026 beginning January 1, 2026,
24 and ending September 30, 2026, 3.5 percent; for the period in
25 calendar year 2026 beginning on or after October 1, 2026, and
26 ending December 31, 2026, .95 percent; and for the 2027 calendar
27 year and subsequent calendar years, the rate remains at .95
28 percent.

29 Currently, the premium tax is due March 1 of the year
30 following the calendar year for which the tax is due; however,
31 one-half of the premium taxes are required to be prepaid on June
32 1 and one-half on August 15. The health care-related tax is also
33 due on March 1 of the year following the calendar year for which
34 the tax is due, and the bill establishes the same prepayment
35 framework. The HMO is required to prepay one-half of the health

1 care-related tax on June 1 and one-half on August 15. Due to the
2 effective date of the division being dependent upon notification
3 of federal approval, for calendar year 2026 the first prepayment
4 date shall be 60 days and the second prepayment date shall be 135
5 days after the effective date of the division.

6 The division takes effect upon the date the department of
7 health and human services notifies the general assembly and the
8 Code editor of the approval by the federal centers for Medicare
9 and Medicaid services of the United States department of health
10 and human services of the method of taxation imposed pursuant to
11 the division. The division applies retroactively to tax years
12 beginning on or after January 1, 2026.

13 DIVISION II — TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL
14 APPROPRIATIONS. Under current law, for FY 2024-2025 through
15 FY 2028-2029, if the actual net revenue for the general fund
16 of the state (GF) for the fiscal year is less than the net GF
17 appropriation for the fiscal year, there is transferred from the
18 taxpayer relief fund to the GF an amount equal to 50 percent
19 of the difference. The bill provides that the transfer is 100
20 percent of the difference for FY 2025-2026 and 75 percent of the
21 difference for FY 2026-2027. Under current law and the bill, the
22 transfer does not readjust the GF expenditure limitation for the
23 associated fiscal year (Code section 8.54(5)(b)).

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

27 This division of the bill takes effect upon enactment.