

Senate Study Bill 3182 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON KRAAYENBRINK)

A BILL FOR

1 An Act relating to state finances by modifying the taxes
2 imposed on health maintenance organizations, making
3 transfers from the taxpayer relief fund, making and
4 supplementing appropriations to the department of health and
5 human services, and including effective date, contingent
6 effective date, and retroactive applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

HEALTH MAINTENANCE ORGANIZATION TAXATION

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2
3 Section 1. Section 249A.13, subsection 1, Code 2026, is
4 amended to read as follows:

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

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

13 Every insurance company or association of whatever kind or
14 character, not including fraternal beneficiary associations,
15 health maintenance organizations, and nonprofit hospital and
16 medical service corporations, shall, as required by law, pay to
17 the director of the department of revenue, or to a depository
18 designated by the director, as taxes, an amount equal to the
19 following, except that the premium tax applicable to county
20 mutual insurance associations shall be governed by section
21 518.18:

22 Sec. 3. Section 432.1, subsection 2, unnumbered paragraph
23 1, Code 2026, is amended to read as follows:

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

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

27 As used in this chapter:

28 1. "*Commissioner*" means the commissioner of insurance.

29 2. "*Health maintenance organization*" means the same as
30 defined in section 514B.1. "*Health maintenance organization*"
31 includes a health maintenance organization contracting with
32 the department of health and human services to administer the
33 medical assistance program under chapter 249A.

34 3. a. "*Taxable funds*" means all of the following:

35 (1) Payments received by the health maintenance

1 organization for health care services, insurance, indemnity,
2 or other benefits to which an enrollee is entitled through a
3 health maintenance organization.

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

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

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

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

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

29 *b.* For the 2027 calendar year and subsequent calendar years,
30 ninety-five hundredths of one percent.

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

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

1 1. Except as provided in subsection 2, the tax imposed
2 under this chapter shall be paid on or before March 1 of the
3 year following the calendar year for which the tax is due. The
4 commissioner may suspend or revoke the license of a health
5 maintenance organization subject to the health care-related tax
6 in this chapter that fails to pay the health care-related tax
7 on or before the due date.

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

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

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

35 (2) The commissioner shall adopt rules establishing a

1 health maintenance organization's eligibility for a cash
2 refund, and the process for the department of revenue to make a
3 cash refund to an eligible health maintenance organization from
4 the Medicaid managed care organization health care tax fund
5 created in section 249A.13. The commissioner may suspend or
6 revoke the license of a health maintenance organization that
7 fails to make a prepayment on or before the due date under this
8 subsection.

9 3. The commissioner shall determine whether or not the tax
10 remitted is correct. If the tax remitted is not sufficient,
11 the commissioner shall notify the delinquent company of the
12 amount of such delinquency and certify the amount to the
13 department of revenue which shall proceed to collect the
14 delinquency.

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

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

28 **508C.19 Credits for assessments paid.**

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

1 credited against its premium or health care-related tax
2 liability for the year it ceases doing business.

3 2. Sums acquired by refund from the association which have
4 been written off by contributing insurers and offset against
5 premium taxes or health care-related taxes as provided in
6 subsection 1 and are not then needed for purposes of this
7 chapter shall be paid by the association to the commissioner.
8 The commissioner shall remit the moneys to the treasurer of
9 state to deposit in the state general fund.

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

12 **514B.31 Health maintenance organization health care-related**
13 **taxation.**

14 Every health maintenance organization and including health
15 maintenance organizations contracting with the department of
16 health and human services to administer the medical assistance
17 program under chapter 249A shall be subject to taxation under
18 chapter 432B.

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

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

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

34 13. An insurer may offset an assessment made pursuant to
35 this chapter against its premium tax liability pursuant to

1 chapter 432 or against its health care-related tax liability
2 pursuant to chapter 432B, as applicable, to the extent of
3 twenty percent of the amount of the assessment for each
4 of the five calendar years following the year in which the
5 assessment was paid. If an insurer ceases doing business, all
6 uncredited assessments may be credited against its premium or
7 health care-related tax liability for the year it ceases doing
8 business.

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

10 Sec. 12. PREMIUM TAX — HEALTH MAINTENANCE

11 ORGANIZATION. For purposes of imposing the premium tax
12 under section 432.1, beginning with calendar 2026, and
13 subsequent calendar years, a health maintenance organization
14 is not subject to the premium tax under section 432.1, if the
15 health maintenance organization is subject to the imposition
16 of the health care-related tax under chapter 432B, if enacted
17 by this division of this Act.

18 Sec. 13. PREPAYMENT OF TAXES FOR CALENDAR YEAR

19 2026. Notwithstanding section 432B.3, subsection 2, paragraphs
20 "a" and "b", if enacted by this division of this Act, the first
21 prepayment date shall be sixty days and the second prepayment
22 date shall be one hundred thirty-five days after the effective
23 date of this division of this Act.

24 Sec. 14. CONTINGENT EFFECTIVE DATE. This division of
25 this Act takes effect upon the date the department of health
26 and human services notifies the general assembly and the Code
27 editor of the approval by the federal centers for Medicare and
28 Medicaid services of the United States department of health
29 and human services of the method of taxation upon a health
30 maintenance organization imposed pursuant to this division of
31 the Act.

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

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DIVISION II

1 TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

2 Sec. 16. Section 8.57E, subsection 2, paragraph b,
3 subparagraph (1), Code 2026, is amended to read as follows:

4 (1) (a) For the fiscal year beginning July 1, 2024, ~~and for~~
5 ~~each fiscal year thereafter~~, if the actual net revenue for the
6 general fund of the state for the fiscal year is less than the
7 net general fund appropriation for the fiscal year, there is
8 transferred from the taxpayer relief fund to the general fund
9 of the state an amount equal to fifty percent of the difference
10 or the remaining balance of the taxpayer relief fund, whichever
11 is lower.

12 (b) For the fiscal year beginning July 1, 2025, if the
13 actual net revenue for the general fund of the state for the
14 fiscal year is less than the net general fund appropriation for
15 the fiscal year, there is transferred from the taxpayer relief
16 fund to the general fund of the state an amount equal to one
17 hundred percent of the difference or the remaining balance of
18 the taxpayer relief fund, whichever is lower.

19 (c) For the fiscal year beginning July 1, 2026, if the
20 actual net revenue for the general fund of the state for the
21 fiscal year is less than the net general fund appropriation
22 for the fiscal year, there is transferred from the taxpayer
23 relief fund to the general fund of the state an amount equal to
24 seventy-five percent of the difference or the remaining balance
25 of the taxpayer relief fund, whichever is lower.

26 (d) For the fiscal year beginning July 1, 2027, and for
27 each fiscal year thereafter, if the actual net revenue for the
28 general fund of the state for the fiscal year is less than the
29 net general fund appropriation for the fiscal year, there is
30 transferred from the taxpayer relief fund to the general fund
31 of the state an amount equal to fifty percent of the difference
32 or the remaining balance of the taxpayer relief fund, whichever
33 is lower.

34 Sec. 17. TRANSFER INCREASES FOR TAXPAYER RELIEF. The
35 increases in transfer percentage amounts from the taxpayer

1 relief fund set forth in the section of this division of this
2 Act amending section 8.57E are made in accordance with section
3 8.57E, subsection 2, paragraph "a", for state tax relief based
4 on the reduction in state revenue associated with federal tax
5 law changes pursuant to section 422.3, subsection 5, paragraph
6 "b", including but not limited to the allowance of income tax
7 deductions for qualified tips, overtime compensation, and
8 qualified passenger vehicle loan interest under the federal
9 Internal Revenue Code, as amended by Pub. L. No. 119-21,
10 commonly referred to as the One Big Beautiful Bill Act.

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

17 To supplement the appropriation made for medical assistance
18 program reimbursement and associated costs in 2025 Iowa Acts,
19 chapter 169, section 9, unnumbered paragraph 2:
20 \$ 70,300,000

21 Notwithstanding section 8.33, moneys appropriated in this
22 section that remain unencumbered or unobligated at the close of
23 the fiscal year shall not revert but shall remain available for
24 expenditure for the purposes designated until the close of the
25 succeeding fiscal year.

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

28 EXPLANATION

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

31 This bill modifies the taxes imposed on health maintenance
32 organizations, makes transfers from the taxpayer relief fund,
33 and makes supplemental appropriations.

34 DIVISION I — HEALTH MAINTENANCE ORGANIZATION TAXATION.

35 Currently, health maintenance organizations premiums (HMO) are

1 subject to taxation under Code chapter 432 (insurance companies
2 tax).

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

7 The bill strikes the tax on HMO premiums and creates a health
8 care-related tax on the taxable funds of an HMO in new Code
9 chapter 432B. By striking the taxation of HMO premiums in Code
10 chapter 432 and creating the new health care-related tax in
11 Code chapter 432B, the tax credits available to an HMO in Code
12 chapter 432 are not available to an HMO in new Code chapter
13 432B.

14 The bill applies the health care-related tax on the
15 taxable funds of an HMO. The bill defines "taxable funds" to
16 mean payments received by an HMO for health care services,
17 insurance, indemnity, or other benefits to which an enrollee
18 is entitled through an HMO; and payments made by the HMO
19 to providers for health care services, to insurers, or to
20 corporations authorized under Code chapter 514 for insurance,
21 indemnity, or other authorized service benefits. The bill
22 excludes from the definition of taxable funds the payments made
23 to an HMO by the United States secretary of health and human
24 services under a contract and pursuant to federal authority.
25 If a payment qualifies as both a payment received by an HMO for
26 services provided and a payment made by the HMO to providers,
27 the bill requires the HMO to classify the payment as a payment
28 received by the HMO.

29 Currently, the tax rate on premiums in Code section 432.1(2)
30 is gradually being reduced and the current rate for calendar
31 year 2026 is .925 percent of premiums. The new tax rates on
32 the taxable funds of an HMO in the bill are as follows: for
33 the period in calendar year 2026 beginning January 1, 2026,
34 and ending September 30, 2026, 3.5 percent; for the period
35 in calendar year 2026 beginning on or after October 1, 2026,

1 and ending December 31, 2026, .95 percent; and for the 2027
2 calendar year and subsequent calendar years, the rate remains
3 at .95 percent.

4 Currently, the premium tax is due March 1 of the year
5 following the calendar year for which the tax is due; however,
6 one-half of the premium taxes are required to be prepaid on
7 June 1 and one-half on August 15. The health care-related tax
8 is also due on March 1 of the year following the calendar year
9 for which the tax is due, and the bill establishes the same
10 prepayment framework. The HMO is required to prepay one-half
11 of the health care-related tax on June 1 and one-half on August
12 15. Due to the effective date of the division being dependent
13 upon notification of federal approval, for calendar year 2026
14 the first prepayment date shall be 60 days and the second
15 prepayment date shall be 135 days after the effective date of
16 the division.

17 The division takes effect upon the date the department of
18 health and human services notifies the general assembly and the
19 Code editor of the approval by the federal centers for Medicare
20 and Medicaid services of the United States department of health
21 and human services of the method of taxation imposed pursuant
22 to the division. The division applies retroactively to tax
23 years beginning on or after January 1, 2026.

24 DIVISION II — TAXPAYER RELIEF FUND TRANSFERS —
25 SUPPLEMENTAL APPROPRIATIONS. Under current law, for FY
26 2024-2025 through FY 2028-2029, if the actual net revenue for
27 the general fund of the state (GF) for the fiscal year is less
28 than the net GF appropriation for the fiscal year, there is
29 transferred from the taxpayer relief fund to the GF an amount
30 equal to 50 percent of the difference. The bill provides that
31 the transfer is 100 percent of the difference for FY 2025-2026
32 and 75 percent of the difference for FY 2026-2027. Under
33 current law and the bill, the transfer does not readjust the
34 GF expenditure limitation for the associated fiscal year (Code
35 section 8.54(5)(b)).

S.F. _____

1 The bill makes a supplemental appropriation to the
2 department of health and human services from the GF for FY
3 2025-2026 for the medical assistance program.
4 This division of the bill takes effect upon enactment.