

House File 2739 - Reprinted

HOUSE FILE 2739
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 762)

(As Amended and Passed by the House March 23, 2026)

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:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

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. Commencing with the calendar year beginning January 1,
19 2026, and for subsequent calendar years, each health maintenance
20 organization transacting business in this state shall be subject
21 to a health care-related tax payable to the director of revenue
22 in an amount equal to ninety-five hundredths of one percent of
23 the applicable percentage of taxable funds.

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

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

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

1 2. a. Each health maintenance organization transacting
2 business in this state that is subject to the tax in section
3 432B.2 shall remit on or before June 1, on a prepayment basis,
4 an amount equal to one-half of the product of the rate in section
5 432B.2 and the taxable funds in the prior calendar year.

6 b. In addition to the prepayment amount in paragraph "a",
7 each health maintenance organization subject to the tax in this
8 chapter shall remit on or before August 15, on a prepayment
9 basis, an additional amount equal to one-half of the product of
10 the rate in section 432B.2 and the taxable funds in the prior
11 calendar year.

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

26 (2) The commissioner shall adopt rules establishing a health
27 maintenance organization's eligibility for a cash refund, and the
28 process for the department of revenue to make a cash refund to
29 an eligible health maintenance organization from the Medicaid
30 managed care organization health care tax fund created in section
31 249A.13. The commissioner may suspend or revoke the license of
32 a health maintenance organization that fails to make a prepayment
33 on or before the due date under this subsection.

34 3. The commissioner shall determine whether or not the tax
35 remitted is correct. If the tax remitted is not sufficient, the

1 commissioner shall notify the delinquent company of the amount
2 of such delinquency and certify the amount to the department of
3 revenue which shall proceed to collect the delinquency.

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

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

17 **508C.19 Credits for assessments paid.**

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

27 2. Sums acquired by refund from the association which have
28 been written off by contributing insurers and offset against
29 premium taxes or health care-related taxes as provided in
30 subsection 1 and are not then needed for purposes of this chapter
31 shall be paid by the association to the commissioner. The
32 commissioner shall remit the moneys to the treasurer of state to
33 deposit in the state general fund.

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

1 **514B.31 Health maintenance organization health care-related**
2 **taxation.**

3 Every health maintenance organization and including health
4 maintenance organizations contracting with the department of
5 health and human services to administer the medical assistance
6 program under chapter 249A shall be subject to taxation under
7 chapter 432B.

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

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

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

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

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

32 Sec. 12. PREMIUM TAX — HEALTH MAINTENANCE ORGANIZATION. For
33 purposes of imposing the premium tax under section 432.1,
34 beginning with calendar year 2026, and subsequent calendar years,
35 a health maintenance organization is not subject to the premium

1 tax under section 432.1, if the health maintenance organization
2 is subject to the imposition of the health care-related tax under
3 chapter 432B, if enacted by this division of this Act.

4 Sec. 13. TEMPORARY PROVISIONS FOR THE HEALTH CARE-RELATED TAX
5 AND PREPAYMENTS FOR CALENDAR YEAR 2026. Notwithstanding section
6 432B.2, subsection 1, if enacted by this division of this Act,
7 each health care maintenance organization transacting business
8 in this state shall be subject to a health care-related tax
9 payable to the director of revenue in an amount equal to three
10 and one-half percent of the applicable percentage of taxable
11 funds as defined in section 432B.1, if enacted by this division
12 of this Act, for the period in calendar year beginning January
13 1, 2026, and ending September 30, 2026. The difference between
14 the amount of taxes collected pursuant to this section and the
15 amount of tax that would be collected by imposing the rate under
16 section 432B.2, subsection 1, if enacted by this division of this
17 Act, shall not be subject to prepayment under section 432B.3,
18 subsection 1, if enacted by this division of this Act.

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

26 The section of this division of this Act enacting the
27 temporary provisions for the health care-related tax and
28 prepayments for calendar year 2026.

29 Sec. 15. EFFECTIVE DATE. Unless otherwise provided, this
30 division of this Act, being deemed of immediate importance, takes
31 effect upon enactment.

32 Sec. 16. RETROACTIVE APPLICABILITY. This division of this
33 Act applies retroactively to January 1, 2026, for tax years
34 beginning on or after that date.

35 DIVISION II

1 TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

2 Sec. 17. Section 8.54, subsection 5, paragraph b, Code 2026,
3 is amended to read as follows:

4 b. (1) For fiscal years in which it is anticipated that
5 moneys will be transferred from the taxpayer relief fund to
6 the general fund of the state in accordance with section 8.57E,
7 subsection 2, paragraph "b", the original state general fund
8 expenditure limitation amount provided for in subsection 3 shall
9 not be readjusted to include the amount of moneys anticipated to
10 be so transferred. This ~~paragraph~~ subparagraph is repealed July
11 1, ~~2029~~ 2027.

12 (2) For the fiscal year beginning July 1, 2027, and each
13 fiscal year thereafter, in which it is anticipated that moneys
14 will be transferred from the taxpayer relief fund to the
15 general fund of the state in accordance with section 8.57E,
16 subsection 2, paragraph "b", the original state general fund
17 expenditure limitation amount provided for in subsection 3 shall
18 be readjusted to include the amount of moneys anticipated to be
19 so transferred.

20 (3) This paragraph is repealed July 1, 2029.

21 Sec. 18. Section 8.57E, subsection 2, paragraph b, Code 2026,
22 is amended by adding the following new subparagraph:

23 NEW SUBPARAGRAPH. (02) (a) For the fiscal year beginning
24 July 1, 2027, the transfer pursuant to this paragraph shall
25 not exceed fifty percent of the difference between the adjusted
26 revenue estimate, as defined in section 8.54, for the fiscal year
27 and the net general fund appropriation for the fiscal year.

28 (b) For the fiscal year beginning July 1, 2028, the transfer
29 pursuant to this paragraph shall not exceed fifty percent of
30 the difference between the adjusted revenue estimate, as defined
31 in section 8.54, for the fiscal year and the net general fund
32 appropriation for the fiscal year.

33 Sec. 19. TAXPAYER RELIEF FUND TRANSFER — FEDERAL TAX LAW
34 CHANGES.

35 1. On the effective date of this division of this Act, there

1 is transferred from the taxpayer relief fund created in section
2 8.57E to the general fund of the state, the following amount:

3

4 \$347,013,889

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

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

19 Sec. 20. DEPARTMENT OF HEALTH AND HUMAN SERVICES —
20 SUPPLEMENTAL APPROPRIATION. There is appropriated from the
21 general fund of the state to the department of health and human
22 services for the fiscal year beginning July 1, 2025, and ending
23 June 30, 2026, the following amount, or so much thereof as is
24 necessary, to be used for the purposes designated:

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

28 \$ 89,000,000

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

34 Sec. 21. EFFECTIVE DATE. This division of this Act, being
35 deemed of immediate importance, takes effect upon enactment.