

**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  
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

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

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

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

32 1. Except as provided in subsection 2, the tax imposed  
33 under this chapter shall be paid on or before March 1 of the  
34 year following the calendar year for which the tax is due. The  
35 commissioner may suspend or revoke the license of a health

1 maintenance organization subject to the health care-related tax  
2 in this chapter that fails to pay the health care-related tax  
3 on or before the due date.

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

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

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

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

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

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

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

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

24 **508C.19 Credits for assessments paid.**

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

34 2. Sums acquired by refund from the association which have  
35 been written off by contributing insurers and offset against

1 premium taxes or health care-related taxes as provided in  
2 subsection 1 and are not then needed for purposes of this  
3 chapter shall be paid by the association to the commissioner.  
4 The commissioner shall remit the moneys to the treasurer of  
5 state to deposit in the state general fund.

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

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

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

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

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

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

30 13. An insurer may offset an assessment made pursuant to  
31 this chapter against its premium tax liability pursuant to  
32 chapter 432 or against its health care-related tax liability  
33 pursuant to chapter 432B, as applicable, to the extent of  
34 twenty percent of the amount of the assessment for each  
35 of the five calendar years following the year in which the

1 assessment was paid. If an insurer ceases doing business, all  
2 uncredited assessments may be credited against its premium or  
3 health care-related tax liability for the year it ceases doing  
4 business.

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

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

14 Sec. 13. TEMPORARY PROVISIONS FOR THE HEALTH CARE-RELATED  
15 TAX AND PREPAYMENTS FOR CALENDAR YEAR 2026. Notwithstanding  
16 section 432B.2, subsection 1, if enacted by this division  
17 of this Act, each health care maintenance organization  
18 transacting business in this state shall be subject to a health  
19 care-related tax payable to the director of revenue in an  
20 amount equal to three and one-half percent of the applicable  
21 percentage of taxable funds as defined in section 432B.1,  
22 if enacted by this division of this Act, for the period in  
23 calendar year beginning January 1, 2026, and ending September  
24 30, 2026. The difference between the amount of taxes collected  
25 pursuant to this section and the amount of tax that would be  
26 collected by imposing the rate under section 432B.2, subsection  
27 1, if enacted by this division of this Act, shall not be  
28 subject to prepayment under section 432B.3, subsection 1, if  
29 enacted by this division of this Act.

30 Sec. 14. CONTINGENT EFFECTIVE DATE. The following takes  
31 effect upon the date the department of health and human  
32 services notifies the general assembly and the Code editor of  
33 the approval by the federal centers for Medicare and Medicaid  
34 services of the United States department of health and human  
35 services of the method of taxation upon a health maintenance

1 organization imposed pursuant to this division of the Act:

2 The section of this division of this Act enacting the  
3 temporary provisions for the health care-related tax and  
4 prepayments for calendar year 2026.

5 Sec. 15. EFFECTIVE DATE. Unless otherwise provided, this  
6 division of this Act, being deemed of immediate importance,  
7 takes effect upon enactment.

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

11 DIVISION II

12 TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

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

15 b. (1) For fiscal years in which it is anticipated that  
16 moneys will be transferred from the taxpayer relief fund to  
17 the general fund of the state in accordance with section  
18 8.57E, subsection 2, paragraph "b", the original state general  
19 fund expenditure limitation amount provided for in subsection  
20 3 shall not be readjusted to include the amount of moneys  
21 anticipated to be so transferred. ~~This paragraph~~ subparagraph  
22 is repealed July 1, ~~2029~~ 2027.

23 (2) For the fiscal year beginning July 1, 2027, and each  
24 fiscal year thereafter, in which it is anticipated that moneys  
25 will be transferred from the taxpayer relief fund to the  
26 general fund of the state in accordance with section 8.57E,  
27 subsection 2, paragraph "b", the original state general fund  
28 expenditure limitation amount provided for in subsection 3  
29 shall be readjusted to include the amount of moneys anticipated  
30 to be so transferred.

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

32 Sec. 18. Section 8.57E, subsection 2, paragraph b, Code  
33 2026, is amended by adding the following new subparagraph:

34 NEW SUBPARAGRAPH. (02) (a) For the fiscal year beginning  
35 July 1, 2027, the transfer pursuant to this paragraph shall not

1 exceed fifty percent of the difference between the adjusted  
2 revenue estimate, as defined in section 8.54, for the fiscal  
3 year and the net general fund appropriation for the fiscal  
4 year.

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

10 Sec. 19. TAXPAYER RELIEF FUND TRANSFER — FEDERAL TAX LAW  
11 CHANGES.

12 1. On the effective date of this division of this Act, there  
13 is transferred from the taxpayer relief fund created in section  
14 8.57E to the general fund of the state, the following amount:

15 ..... \$347,013,889

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

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

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

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

4 ..... \$ 89,000,000

5 Notwithstanding section 8.33, moneys appropriated in this  
6 section that remain unencumbered or unobligated at the close of  
7 the fiscal year shall not revert but shall remain available for  
8 expenditure for the purposes designated until the close of the  
9 succeeding fiscal year.

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