

# **Health Maintenance Organization Taxes, Supplemental Appropriations, and Transfers Bill House File 2739**

Last Action:  
House Floor  
March 19, 2026

**An Act relating to State finances by modifying the taxes imposed on health maintenance organizations, making transfers from the Taxpayer Relief Fund, making and supplementing appropriations to the Department of Health and Human Services, and including effective date, contingent effective date, and retroactive applicability provisions.**

**Fiscal Services Division  
Legislative Services Agency**

## **NOTES ON BILLS AND AMENDMENTS (NOBA)**

Available online at [www.legis.iowa.gov/publications/information/appropriationBillAnalysis](http://www.legis.iowa.gov/publications/information/appropriationBillAnalysis)

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**BILL SUMMARY**

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House File 2739 relates to taxes on Health Maintenance Organizations (HMOs), transfers from the Taxpayer Relief Fund (TPRF), and a supplemental appropriation for Medical Assistance.

Page 1, Line 1

The Bill consists of the following two divisions:

- Division I — Health Maintenance Organization Taxation
- Division II — Taxpayer Relief Fund Transfers — Supplemental Appropriations

Division I of the Bill does the following:

- Renames the Medicaid Managed Care Organization (MCO) Premiums Fund to the Medicaid MCO Health Care Tax Fund (HCTF).
- Requires HMOs to pay a health care-related tax to the Iowa Department of Revenue (IDR) at a rate of 0.95% of taxable funds, for deposit into the MCO HCTF, beginning January 1, 2026. However, Division I establishes a temporary health care-related tax of 3.5% in place of the 0.95% tax rate from January 1, 2026, to September 30, 2026. This temporary provision is contingent upon federal approval.

**FISCAL IMPACT:** Division I of the Bill is estimated to decrease General Fund revenues by \$6.6 million in FY 2026, \$13.2 million in FY 2027, and \$13.8 million in FY 2028 due to HMOs being retroactively exempt from the insurance premium tax.

Total revenue available to Medicaid is estimated to increase by approximately \$6.6 million in FY 2026, \$165.2 million in FY 2027, and \$16.4 million in FY 2028, including increased payments to the Medicaid MCOs, due to the increased taxes on the MCOs. The increase in MCO payments is estimated to be approximately \$178.8 million in FY 2027 and \$2.4 million in FY 2028, of which the State portion is \$54.5 million in FY 2027 and \$746,000 in FY 2028.

# EXECUTIVE SUMMARY

## HEALTH MAINTENANCE ORGANIZATION TAXES, SUPPLEMENTAL APPROPRIATIONS, AND TRANSFERS BILL

### Division I Fiscal Impact to Medicaid (in Millions)

Category	FY 2026	FY 2027	FY 2028
MCO Premiums Fund Revenue	\$0.0	\$-84.8	\$-88.5
MCO Tax	0.0	263.6	91.0
Non-MCO HMO Tax	6.6	40.8	14.7
MCO Payments	0.0	-54.5	-0.7
<b>Total</b>	<b>\$6.6</b>	<b>\$165.2</b>	<b>\$16.4</b>

Division II of the Bill does the following:

- Transfers \$347.0 million from the TPRF to the General Fund.
- Adds the anticipated transfer from the TPRF to the General Fund under Iowa Code section [8.57E\(2\)](#) (b), which will be made during the upcoming budget year, to the expenditure limitation calculation for the same year in FY 2028 and FY 2029.
- Provides an FY 2026 supplemental General Fund appropriation of \$89.0 million to the Department of Health and Human Services (HHS) for Medical Assistance.

### FUNDING SUMMARY

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Adds the anticipated transfer from the TPRF to the General Fund under Iowa Code section [8.57E\(2\)](#)(b), which will be made during the upcoming budget year, to the expenditure limitation calculation for the same year beginning in FY 2028 and FY 2029.

Page 7, Line 13

Limits the TPRF transfer to the General Fund to 50.0% of the difference between the Adjusted Revenue Estimate and the net General Fund appropriation for the fiscal year. This limitation applies to FY 2028 and FY 2029.

Page 7, Line 32

Transfers \$347.0 million from the TPRF to the General Fund in FY 2026. Requires the \$347.0 million transfer made from the TPRF to the General Fund to be included in the expenditure limitation for FY 2027.

Page 8, Line 10

### MAJOR INCREASES/DECREASES/TRANSFERS OF EXISTING PROGRAMS

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## EXECUTIVE SUMMARY

### HEALTH MAINTENANCE ORGANIZATION TAXES, SUPPLEMENTAL APPROPRIATIONS, AND TRANSFERS BILL

Requires HMOs to pay a health care-related tax to the IDR at a rate of 0.95% of taxable funds, for deposit into the MCO HCTF, beginning January 1, 2026.

Page 2, Line 18

Requires HMOs to pay a temporary health care-related tax to the IDR at a rate of 3.5% of taxable funds from January 1, 2026, to September 30, 2026. Provides that the difference between the 3.5% tax rate and the 0.95% tax rate under Iowa Code section 432B.2, as established by the Bill, is not subject to prepayment.

Page 6, Line 14

## SUPPLEMENTAL APPROPRIATIONS

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Authorizes an FY 2026 General Fund supplemental appropriation of \$89.0 million to the HHS for Medical Assistance.

Page 8, Line 30

## STUDIES AND INTENT

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### *Intent*

Provides that an HMO is not subject to the insurance premium tax in Iowa Code section [432.1](#), beginning with calendar year 2026, if the HMO is subject to the health care-related tax established in the Bill, if enacted.

Page 6, Line 6

### *Nonreversions*

Allows any unencumbered and unobligated funds appropriated from the General Fund to the HHS to supplement the FY 2026 Medical Assistance appropriation to remain available for expenditure until the close of the succeeding fiscal year.

Page 9, Line 5

## SIGNIFICANT CODE CHANGES

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Renames the MCO Premiums Fund to the Medicaid MCO HCTF. Provides that moneys collected pursuant to Iowa Code section 432B.2, as established by the Bill, are deposited in the HCTF.

Page 1, Line 3

Provides that an HMO is not subject to the taxes described in Iowa Code section [432.1](#) (Tax on Gross Premiums — Exclusions).

Page 1, Line 11

Requires the health care-related tax established in the Bill to be paid on or before March 1 of the year following the calendar year that the tax is due, except for the required prepayment in new Iowa Code section 432B.3(2). Allows the Commissioner of the Iowa Insurance Division (IID) to suspend or revoke the licenses of HMOs that fail to pay the tax.

Page 2, Line 30

## EXECUTIVE SUMMARY

### HEALTH MAINTENANCE ORGANIZATION TAXES, SUPPLEMENTAL APPROPRIATIONS, AND TRANSFERS BILL

Requires HMOs to remit, on a prepayment basis before June 1, one-half of the product of the health care-related tax and the taxable funds in the prior calendar year.	Page 3, Line 4
Requires HMOs to remit, on a prepayment basis before August 15, one-half of the product of the health care-related tax and the taxable funds in the prior calendar year.	Page 3, Line 10
Allows the prepayment taxes paid by an HMO to be credited against the HMO's tax liability for the calendar year during which the payments are made. Allows excess prepayments to be credits against the HMO's subsequent prepayment or tax liabilities. Requires the Commissioner of the IID to authorize the IDR to make a cash refund to an HMO in lieu of a credit against subsequent prepayment or tax liabilities if the HMO is unable to recoup the funds paid via a credit.	Page 3, Line 16
Requires the Commissioner of the IID to adopt administrative rules establishing an HMO's eligibility for a cash refund and the process for the IDR to make a cash refund to an eligible HMO from the HCTF. Allows the Commissioner to suspend or revoke the license of an HMO that fails to make a prepayment on or before the due date.	Page 3, Line 31
Requires the Commissioner of the IID to determine whether the tax remitted is correct. Requires the Commissioner to notify a delinquent company of the amount of such delinquency and certify the amount to the IDR to collect the delinquency if the tax remitted is not sufficient.	Page 4, Line 5
Requires the Commissioner of the IID to examine a tax return and determine the tax within five years after the tax return is filed or within five years after the tax return became due, whichever is later. Requires an assessment or claim for credit to be made within five calendar years after the annual tax filing is made. Allows a company to apply for a credit, or the Commissioner to make an assessment, for a five-year period preceding the current calendar year. Provides that the period of examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax or in the case of a failure to file a return.	Page 4, Line 11
Repeals the MCO premium tax in Iowa Code section <a href="#">432.1B</a> (Health Maintenance Organization — Medical Assistance Program — Premium Tax).	Page 6, Line 5

## EFFECTIVE DATE

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Provides that the temporary provisions for the health care-related tax and prepayment for calendar year 2026, as established by Division I of the Bill, take effect when the HHS notifies the General Assembly and the	Page 6, Line 30
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## **EXECUTIVE SUMMARY**

**HOUSE FILE 2739**

### **HEALTH MAINTENANCE ORGANIZATION TAXES, SUPPLEMENTAL APPROPRIATIONS, AND TRANSFERS BILL**

Iowa Code Editor of approval by the Centers for Medicare and Medicaid Services (CMS) of the method of taxation upon an HMO imposed pursuant to Division I of the Bill.

Provides that Division I of the Bill related to HMO taxation takes effect upon enactment, unless otherwise provided.

Page 7, Line 5

Specifies that Division II of the Bill related to TPRF transfers and supplemental appropriations takes effect upon enactment.

Page 9, Line 10

House File 2739 provides for the following changes to the Code of Iowa.

Page #	Line #	Bill Section	Action	Code Section
1	3	1	Amend	249A.13.1
1	11	2	Amend	432.1
1	22	3	Amend	432.1.2
1	26	4	New	432B.1
2	18	5	New	432B.2
2	30	6	New	432B.3
4	22	7	Amend	508C.19
5	6	8	Strike and Replace	514B.31
5	15	9	Amend	514E.1.3
5	28	10	Amend	514E.2.13
6	5	11	Repeal	432.1B
7	13	17	Amend	8.54.5.b
7	32	18	Add	8.57E.2.b.(02)

<p>1 1 DIVISION I</p> <p>1 2 HEALTH MAINTENANCE ORGANIZATION TAXATION</p> <p>1 3 Section 1. Section 249A.13, subsection 1, Code 2026, is</p> <p>1 4 amended to read as follows:</p> <p>1 5 1. A Medicaid managed care organization <del>premiums health</del></p> <p>1 6 <del>care tax</del> fund is created in the state treasury under the</p> <p>1 7 authority of the department of health and human services.</p> <p>1 8 Moneys collected by the director of the department of revenue</p> <p>1 9 as taxes on <del>premiums</del> pursuant to section <del>432.1B</del> <u>432B.2</u> shall be</p> <p>1 10 deposited in the fund.</p> <p>1 11 Sec. 2. Section 432.1, unnumbered paragraph 1, Code 2026,</p> <p>1 12 is amended to read as follows:</p> <p>1 13 Every insurance company or association of whatever kind or</p> <p>1 14 character, not including fraternal beneficiary associations,</p> <p>1 15 <u>health maintenance organizations</u>, and nonprofit hospital and</p> <p>1 16 medical service corporations, shall, as required by law, pay to</p> <p>1 17 the director of the department of revenue, or to a depository</p> <p>1 18 designated by the director, as taxes, an amount equal to the</p> <p>1 19 following, except that the premium tax applicable to county</p> <p>1 20 mutual insurance associations shall be governed by section</p> <p>1 21 518.18:</p> <p>1 22 Sec. 3. Section 432.1, subsection 2, unnumbered paragraph</p> <p>1 23 1, Code 2026, is amended to read as follows:</p> <p>1 24 The “applicable percent” for purposes of subsection 1 of this</p> <p>1 25 section, <del>section 432.1B</del>, and section 432.2 is the following:</p> <p>1 26 Sec. 4. NEW SECTION 432B.1 DEFINITIONS.</p> <p>1 27 As used in this chapter:</p> <p>1 28 1. “Commissioner” means the commissioner of insurance.</p> <p>1 29 2. “Health maintenance organization” means the same as</p> <p>1 30 defined in section 514B.1. “Health maintenance organization”</p> <p>1 31 includes a health maintenance organization contracting with</p> <p>1 32 the department of health and human services to administer the</p> <p>1 33 medical assistance program under chapter 249A.</p> <p>1 34 3. a. “Taxable funds” means all of the following:</p> <p>1 35 (1) Payments received by the health maintenance</p> <p>2 1 organization for health care services, insurance, indemnity,</p> <p>2 2 or other benefits to which an enrollee is entitled through a</p>	<p>Renames the Medicaid Managed Care Organization (MCO) Premiums Fund to the Medicaid MCO Health Care Tax Fund (HCTF). Requires the deposit of the health care-related tax established by the Bill into the MCO HCTF.</p> <p>DETAIL: Medicaid received approximately \$101,700,000 from the MCO premium tax in FY 2025.</p> <p>CODE: Provides that a Health Maintenance Organization (HMO) is not subject to the taxes described in Iowa Code section <a href="#">432.1</a> (Tax on Gross Premiums — Exclusions).</p> <p>CODE: Adopts conforming changes to Iowa Code section <a href="#">432.1</a>(2) (Tax on Gross Premiums — Exclusions).</p> <p>CODE: Defines terms related to the health care-related taxes provided in the Bill.</p>
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2 3 health maintenance organization.  
 2 4 (2) Payments made by the health maintenance organization  
 2 5 to providers for health care services, to insurers, or to  
 2 6 corporations authorized under chapter 514 for insurance,  
 2 7 indemnity, or other authorized service benefits, except  
 2 8 a payment made by a health maintenance organization that  
 2 9 qualifies both as a payment received under subparagraph (1) and  
 2 10 a payment made under this subparagraph, shall be considered  
 2 11 taxable funds under subparagraph (1).

2 12 b. "Taxable funds" does not include payments made to a  
 2 13 health maintenance organization by the United States secretary  
 2 14 of health and human services under a contract issued under  
 2 15 section 1833 or 1876 of the federal Social Security Act, or  
 2 16 under section 4015 of the federal Omnibus Budget Reconciliation  
 2 17 Act of 1987.

2 18 Sec. 5. NEW SECTION 432B.2 IMPOSITION OF HEALTH  
 2 19 CARE-RELATED TAX.

2 20 1. Commencing with the calendar year beginning January  
 2 21 1, 2026, and for subsequent calendar years, each health  
 2 22 maintenance organization transacting business in this state  
 2 23 shall be subject to a health care-related tax payable to  
 2 24 the director of revenue in an amount equal to ninety-five  
 2 25 hundredths of one percent of the applicable percentage of  
 2 26 taxable funds.

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

CODE: Requires HMOs to pay a health care-related tax to the Iowa Department of Revenue (IDR) at a rate of 0.95% of taxable funds, for deposit into the MCO HCTF, beginning January 1, 2026.

DETAIL: There are currently 10 HMOs conducting business in Iowa, 3 of which are Medicaid MCOs. Under current law, HMOs are subject to the insurance premium taxes pursuant to Iowa Code section [432.1](#). These tax revenues, except for the taxes on Medicaid MCOs, are deposited into the General Fund. Medicaid MCOs are also currently required to pay the insurance premium tax; however, these revenues are deposited in the MCO Premiums Fund. Moneys in the MCO Premiums Fund are appropriated to the Department of Health and Human Services (HHS) for Medicaid. The insurance premium tax is currently set at 0.925% of taxable funds. The insurance premium tax is scheduled to decrease to 0.90% in 2027.

2 30 Sec. 6. NEW SECTION 432B.3 DATE TAX DUE — METHOD OF  
 2 31 PAYMENT — STATUTE OF LIMITATIONS.

2 32 1. Except as provided in subsection 2, the tax imposed  
 2 33 under this chapter shall be paid on or before March 1 of the  
 2 34 year following the calendar year for which the tax is due. The  
 2 35 commissioner may suspend or revoke the license of a health  
 3 1 maintenance organization subject to the health care-related tax

CODE: Requires the health care-related tax established in the Bill to be paid on or before March 1 of the year following the calendar year that the tax is due, except for the required prepayment in new Iowa Code section 432B.3(2). Allows the Commissioner of the Iowa Insurance Division (IID) to suspend or revoke the licenses of HMOs that fail to pay the tax.

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

3 4 2. a. Each health maintenance organization transacting  
3 5 business in this state that is subject to the tax in section  
3 6 432B.2 shall remit on or before June 1, on a prepayment basis,  
3 7 an amount equal to one-half of the product of the rate in  
3 8 section 432B.2 and the taxable funds in the prior calendar  
3 9 year.

CODE: Requires HMOs to remit, on a prepayment basis before June 1, one-half of the product of the health care-related tax and the taxable funds in the prior calendar year.

3 10 b. In addition to the prepayment amount in paragraph "a",  
3 11 each health maintenance organization subject to the tax in this  
3 12 chapter shall remit on or before August 15, on a prepayment  
3 13 basis, an additional amount equal to one-half of the product of  
3 14 the rate in section 432B.2 and the taxable funds in the prior  
3 15 calendar year.

CODE: Requires HMOs to remit, on a prepayment basis before August 15, one-half of the product of the health care-related tax and the taxable funds in the prior calendar year.

3 16 c. (1) The sums prepaid by a health maintenance  
3 17 organization under paragraphs "a" and "b" shall be allowed  
3 18 as credits against the health maintenance organization's  
3 19 health care-related tax liability for the calendar year during  
3 20 which the payments are made. If a prepayment made under this  
3 21 subsection exceeds the health maintenance organization's annual  
3 22 health care-related tax liability, the excess shall be allowed  
3 23 as a credit against the health maintenance organization's  
3 24 subsequent prepayment or tax liabilities under this chapter.  
3 25 The commissioner shall authorize the department of revenue  
3 26 to make a cash refund to a health maintenance organization,  
3 27 in lieu of a credit against subsequent prepayment or tax  
3 28 liabilities under this section, if the health maintenance  
3 29 organization demonstrates the inability to recoup the funds  
3 30 paid via a credit.

CODE: Allows the prepayment taxes paid by an HMO to be credited against the HMO's tax liability for the calendar year during which the payments are made. Allows excess prepayments to be credits against the HMO's subsequent prepayment or tax liabilities. Requires the Commissioner of the IID to authorize the IDR to make a cash refund to an HMO in lieu of a credit against subsequent prepayment or tax liabilities if the HMO is unable to recoup the funds paid via a credit.

3 31 (2) The commissioner shall adopt rules establishing a  
3 32 health maintenance organization's eligibility for a cash  
3 33 refund, and the process for the department of revenue to make a  
3 34 cash refund to an eligible health maintenance organization from  
3 35 the Medicaid managed care organization health care tax fund  
4 1 created in section 249A.13. The commissioner may suspend or  
4 2 revoke the license of a health maintenance organization that  
4 3 fails to make a prepayment on or before the due date under this  
4 4 subsection.

CODE: Requires the Commissioner of the IID to adopt administrative rules establishing an HMO's eligibility for a cash refund and the process for the IDR to make a cash refund to an eligible HMO from the MCO HCTF. Allows the Commissioner to suspend or revoke the license of an HMO that fails to make a prepayment on or before the due date.

4 5 3. The commissioner shall determine whether or not the tax  
 4 6 remitted is correct. If the tax remitted is not sufficient,  
 4 7 the commissioner shall notify the delinquent company of the  
 4 8 amount of such delinquency and certify the amount to the  
 4 9 department of revenue which shall proceed to collect the  
 4 10 delinquency.

CODE: Requires the Commissioner of the IID to determine whether the tax remitted is correct. Requires the Commissioner to notify a delinquent company of the amount of such delinquency and certify the amount to the IDR to collect the delinquency if the tax remitted is not sufficient.

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

CODE: Requires the Commissioner of the IID to examine a tax return and determine the tax within five years after the tax return is filed or within five years after the tax return became due, whichever is later. Requires an assessment or claim for credit to be made within five calendar years after the annual tax filing is made. Allows a company to apply for a credit, or the Commissioner to make an assessment, for a five-year period preceding the current calendar year. Provides that the period of examination and determination of the correct amount of tax is unlimited in the case of a false or fraudulent return made with the intent to evade tax or in the case of a failure to file a return.

4 22 Sec. 7. Section 508C.19, Code 2026, is amended to read as  
 4 23 follows:

CODE: Makes health care-related taxpayers eligible for credits for assessments paid.

4 24 508C.19 CREDITS FOR ASSESSMENTS PAID.

4 25 1. An insurer may offset an assessment made pursuant to  
 4 26 section 508C.9 against its premium tax liability pursuant to  
 4 27 chapter 432 or health care-related tax liability pursuant to  
 4 28 chapter 432B to the extent of twenty percent of the amount of  
 4 29 the assessment for each of the five calendar years following  
 4 30 the year in which the assessment was paid. If an insurer  
 4 31 ceases doing business, all uncredited assessments may be  
 4 32 credited against its premium or health care-related tax  
 4 33 liability for the year it ceases doing business.

4 34 2. Sums acquired by refund from the association which have  
 4 35 been written off by contributing insurers and offset against  
 5 1 premium taxes or health care-related taxes as provided in  
 5 2 subsection 1 and are not then needed for purposes of this  
 5 3 chapter shall be paid by the association to the commissioner.  
 5 4 The commissioner shall remit the moneys to the treasurer of  
 5 5 state to deposit in the state general fund.

5 6 Sec. 8. Section 514B.31, Code 2026, is amended by striking  
5 7 the section and inserting in lieu thereof the following:  
5 8 514B.31 HEALTH MAINTENANCE ORGANIZATION HEALTH CARE-RELATED  
5 9 TAXATION.  
5 10 Every health maintenance organization and including health  
5 11 maintenance organizations contracting with the department of  
5 12 health and human services to administer the medical assistance  
5 13 program under chapter 249A shall be subject to taxation under  
5 14 chapter 432B.

CODE: Replaces current HMO tax requirements with the requirement that HMOs be subject to the health care-related tax established in the Bill.

5 15 Sec. 9. Section 514E.1, subsection 3, Code 2026, is amended  
5 16 to read as follows:  
5 17 3. "Carrier" means an insurer providing accident and  
5 18 sickness insurance under chapter 509, 514, 514A and includes a  
5 19 health maintenance organization established under chapter 514B  
5 20 if payments received by the health maintenance organization  
5 21 are ~~considered premiums pursuant to section 514B.31 and are~~  
5 22 ~~taxed under chapter 432~~ subject to the health care-related  
5 23 tax under chapter 432B. "Carrier" also includes a corporation  
5 24 which becomes a mutual insurer pursuant to section 514.23 and  
5 25 any other person as defined in section 4.1, subsection 20, who  
5 26 is or may become liable for the tax imposed by chapter 432 or  
5 27 432B.

CODE: Defines insurers subject to the health care-related tax under the Bill as a carrier under Iowa Code chapter [514E](#) (Iowa Comprehensive Health Insurance Association).

5 28 Sec. 10. Section 514E.2, subsection 13, Code 2026, is  
5 29 amended to read as follows:  
5 30 13. An insurer may offset an assessment made pursuant to  
5 31 this chapter against its premium tax liability pursuant to  
5 32 chapter 432 or against its health care-related tax liability  
5 33 pursuant to chapter 432B, as applicable, to the extent of  
5 34 twenty percent of the amount of the assessment for each  
5 35 of the five calendar years following the year in which the  
6 1 assessment was paid. If an insurer ceases doing business, all  
6 2 uncredited assessments may be credited against its premium or  
6 3 health care-related tax liability for the year it ceases doing  
6 4 business.

CODE: Allows an insurer to offset an assessment made under Iowa Code chapter [514E](#) against its health care-related tax liability under the Bill.

6 5 Sec. 11. REPEAL. Section 432.1B, Code 2026, is repealed.

CODE: Repeals the MCO premium tax in Iowa Code section [432.1B](#) (Health Maintenance Organization — Medical Assistance Program — Premium Tax).

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

Provides that an HMO is not subject to the insurance premium tax in Iowa Code section [432.1](#), beginning with calendar year 2026, if the HMO is subject to the health care-related tax established in the Bill, if enacted.

6 14 Sec. 13. TEMPORARY PROVISIONS FOR THE HEALTH CARE-RELATED  
 6 15 TAX AND PREPAYMENTS FOR CALENDAR YEAR 2026. Notwithstanding  
 6 16 section 432B.2, subsection 1, if enacted by this division  
 6 17 of this Act, each health care maintenance organization  
 6 18 transacting business in this state shall be subject to a health  
 6 19 care-related tax payable to the director of revenue in an  
 6 20 amount equal to three and one-half percent of the applicable  
 6 21 percentage of taxable funds as defined in section 432B.1,  
 6 22 if enacted by this division of this Act, for the period in  
 6 23 calendar year beginning January 1, 2026, and ending September  
 6 24 30, 2026. The difference between the amount of taxes collected  
 6 25 pursuant to this section and the amount of tax that would be  
 6 26 collected by imposing the rate under section 432B.2, subsection  
 6 27 1, if enacted by this division of this Act, shall not be  
 6 28 subject to prepayment under section 432B.3, subsection 1, if  
 6 29 enacted by this division of this Act.

Requires HMOs to pay a temporary health care-related tax at a rate of 3.50% of taxable funds from January 1, 2026, to September 30, 2026. Provides that the difference between the 3.50% tax rate and the 0.95% tax rate under Iowa Code section 432B.2, established by the Bill, is not subject to prepayment.

FISCAL IMPACT: Division I of the Bill is estimated to decrease General Fund revenues by \$6,600,000 in FY 2026, \$13,200,000 in FY 2027, and \$13,800,000 in FY 2028 due to HMOs being retroactively exempt from the insurance premium tax. Total revenue available to Medicaid is estimated to increase by approximately \$6,600,000 in FY 2026, \$165,200,000 in FY 2027, and \$16,400,000 in FY 2028, including increased payments to the Medicaid MCOs. The increase in MCO payments is estimated to be approximately \$178,800,000 in FY 2027 and \$2,400,000 in FY 2028, of which the State portion is \$54,500,000 in FY 2027 and \$746,000 in FY 2028.

**Division I Fiscal Impact to Medicaid (in Millions)**

Category	FY 2026	FY 2027	FY 2028
MCO Premiums Fund Revenue	\$0.0	\$-84.8	\$-88.5
MCO Tax	0.0	263.6	91.0
Non-MCO HMO Tax	6.6	40.8	14.7
MCO Payments	0.0	-54.5	-0.7
<b>Total</b>	<b>\$6.6</b>	<b>\$165.2</b>	<b>\$16.4</b>

6 30 Sec. 14. CONTINGENT EFFECTIVE DATE. The following takes  
 6 31 effect upon the date the department of health and human  
 6 32 services notifies the general assembly and the Code editor of  
 6 33 the approval by the federal centers for Medicare and Medicaid  
 6 34 services of the United States department of health and human  
 6 35 services of the method of taxation upon a health maintenance  
 7 1 organization imposed pursuant to this division of the Act:  
 7 2 The section of this division of this Act enacting the  
 7 3 temporary provisions for the health care-related tax and  
 7 4 prepayments for calendar year 2026.

Provides that the temporary provisions for the health care-related tax and prepayment for calendar year 2026, as established by Division I of the Bill, take effect when the HHS notifies the General Assembly and the Iowa Code Editor of approval by the Centers for Medicare and Medicaid Services (CMS) of the method of taxation upon an HMO imposed pursuant to Division I of the Bill.

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

Provides that Division I of the Bill related to HMO taxation takes effect upon enactment, unless otherwise provided.

7 8 Sec. 16. RETROACTIVE APPLICABILITY. This division of this  
 7 9 Act applies retroactively to January 1, 2026, for tax years  
 7 10 beginning on or after that date.

Provides that Division I of the Bill applies retroactively to January 1, 2026, for tax years beginning on or after that date.

7 11 DIVISION II  
 7 12 TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

7 13 Sec. 17. Section 8.54, subsection 5, paragraph b, Code 2026,  
 7 14 is amended to read as follows:

7 15 b. (1) For fiscal years in which it is anticipated that  
 7 16 moneys will be transferred from the taxpayer relief fund to  
 7 17 the general fund of the state in accordance with section  
 7 18 8.57E, subsection 2, paragraph “b”, the original state general  
 7 19 fund expenditure limitation amount provided for in subsection  
 7 20 3 shall not be readjusted to include the amount of moneys  
 7 21 anticipated to be so transferred. This paragraph subparagraph  
 7 22 is repealed July 1, 2029 2027.

CODE: Adds the anticipated transfer from the Taxpayer Relief Fund (TPRF) to the General Fund under Iowa Code section [8.57E\(2\)\(b\)](#), which will be made during the upcoming budget year, to the expenditure limitation calculation for the same year in FY 2028 and FY 2029.

7 23 (2) For the fiscal year beginning July 1, 2027, and each  
 7 24 fiscal year thereafter, in which it is anticipated that moneys  
 7 25 will be transferred from the taxpayer relief fund to the  
 7 26 general fund of the state in accordance with section 8.57E,  
 7 27 subsection 2, paragraph “b”, the original state general fund  
 7 28 expenditure limitation amount provided for in subsection 3  
 7 29 shall be readjusted to include the amount of moneys anticipated  
 7 30 to be so transferred.

DETAIL: Under Iowa Code section [8.57E\(2\)\(b\)](#), if actual net revenue is less than net General Fund appropriations for a fiscal year, up to 50.00% of the difference between actual net revenue and net General Fund appropriations is transferred from the TPRF to the General Fund. This transfer is repealed July 1, 2029.

7 31 (3) This paragraph is repealed July 1, 2029.

7 32 Sec. 18. Section 8.57E, subsection 2, paragraph b, Code  
 7 33 2026, is amended by adding the following new subparagraph:  
 7 34 NEW SUBPARAGRAPH (02) (a) For the fiscal year beginning  
 7 35 July 1, 2027, the transfer pursuant to this paragraph shall not  
 8 1 exceed fifty percent of the difference between the adjusted  
 8 2 revenue estimate, as defined in section 8.54, for the fiscal  
 8 3 year and the net general fund appropriation for the fiscal  
 8 4 year.  
 8 5 (b) For the fiscal year beginning July 1, 2028, the transfer  
 8 6 pursuant to this paragraph shall not exceed fifty percent  
 8 7 of the difference between the adjusted revenue estimate, as  
 8 8 defined in section 8.54, for the fiscal year and the net  
 8 9 general fund appropriation for the fiscal year.

CODE: Limits the TPRF transfer to the General Fund to 50.00% of the difference between the Adjusted Revenue Estimate and the net General Fund appropriation for the fiscal year. This limitation applies to FY 2028 and FY 2029.

DETAIL: Under Iowa Code section [8.57E\(2\)\(b\)](#), if actual net revenue is less than net General Fund appropriations for a fiscal year, up to 50.00% of the difference between actual net revenue and net General Fund appropriations is transferred from the TPRF to the General Fund. This transfer is repealed July 1, 2029.

8 10 Sec. 19. TAXPAYER RELIEF FUND TRANSFER — FEDERAL TAX LAW  
 8 11 CHANGES.

Transfers \$347,013,889 from the TPRF to the General Fund in FY 2026.

8 12 1. On the effective date of this division of this Act, there  
 8 13 is transferred from the taxpayer relief fund created in section  
 8 14 8.57E to the general fund of the state, the following amount:  
 8 15 ..... \$ 347,013,889

8 16 2. The transfer under this section is made in accordance  
 8 17 with section 8.57E, subsection 2, paragraph “a”, for state tax  
 8 18 relief based on the reduction in state revenue for the fiscal  
 8 19 year beginning July 1, 2025, associated with 2025 federal tax  
 8 20 law changes pursuant to section 422.3, subsection 5, paragraph  
 8 21 “b”, including but not limited to the allowance of income tax  
 8 22 deductions for qualified tips, overtime compensation, and  
 8 23 qualified passenger vehicle loan interest under the federal  
 8 24 Internal Revenue Code, as amended by Pub.L. No.119-21,  
 8 25 commonly referred to as the One Big Beautiful Bill Act.

Specifies that the increases in transfer percentages from the TPRF are made in accordance with Iowa Code section [8.57E\(2\)\(a\)](#) for State tax relief based on the reduction in State revenue associated with federal tax changes in the [One Big Beautiful Bill Act](#).

8 26 3. Notwithstanding section 8.54, the state general fund  
 8 27 expenditure limitation amount calculated for the fiscal year  
 8 28 beginning July 1, 2026, shall be readjusted to include one  
 8 29 hundred percent of the moneys transferred under this section.

Requires the \$347,013,889 transfer made from the TPRF to the General Fund to be included in the expenditure limitation for FY 2027.

8 30 Sec. 20. DEPARTMENT OF HEALTH AND HUMAN SERVICES —  
 8 31 SUPPLEMENTAL APPROPRIATION. There is appropriated from the  
 8 32 general fund of the state to the department of health and human  
 8 33 services for the fiscal year beginning July 1, 2025, and ending  
 8 34 June 30, 2026, the following amount, or so much thereof as is

Authorizes an FY 2026 General Fund supplemental appropriation of \$89,000,000 to the HHS for Medical Assistance.

8 35 necessary, to be used for the purposes designated:  
9 1 To supplement the appropriation made for medical assistance  
9 2 program reimbursement and associated costs in 2025 Iowa Acts,  
9 3 chapter 169, section 9, unnumbered paragraph 2:  
9 4 89,000,000

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

9 10 Sec. 21. EFFECTIVE DATE. This division of this Act, being  
9 11 deemed of immediate importance, takes effect upon enactment.

DETAIL: 2025 Iowa Acts, [House File 1049](#) (FY 2026 Health and Human Services Appropriations Act), appropriated \$1,903,550,706 from the General Fund to the HHS for Medical Assistance in FY 2026.

Allows any unencumbered and unobligated funds appropriated from the General Fund to the HHS to supplement the FY 2026 Medical Assistance appropriation to remain available for expenditure until the close of the succeeding fiscal year.

Specifies that Division II of the Bill related to TPRF transfers and supplemental appropriations takes effect upon enactment.

## Health and Human Services General Fund

	Supp-House Action FY 2026 (1)	Estimated Net FY 2026 (2)	Page and Line # (3)
<b><u>Health and Human Services, Department of</u></b>			
<b>Health and Human Services</b>			
Medical Assistance	\$ 89,000,000	\$ 1,992,550,706	PG 8 LN 30
<b>Total Health and Human Services, Department of</b>	\$ 89,000,000	\$ 1,992,550,706	
<b>Total Health and Human Services</b>	\$ 89,000,000	\$ 1,992,550,706	