

## CHAPTER 1003

### HEALTH MAINTENANCE ORGANIZATIONS — HEALTH CARE-RELATED TAX — INSURANCE COMPANY PREMIUM TAX — TAXPAYER RELIEF FUND TRANSFERS

*H.F. 2739*

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.

*Be It Enacted by the General Assembly of the State of Iowa:*

#### 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 to which an enrollee is entitled through a health maintenance organization.

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

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

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

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

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

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

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

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

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

c. (1) The sums prepaid by a health maintenance organization under paragraphs “a” and “b” shall be allowed as credits against the health maintenance organization’s health care-related tax liability for the calendar year during which the payments are made. If a prepayment made under this subsection exceeds the health maintenance organization’s annual health care-related tax liability, the excess shall be allowed as a credit against the health maintenance organization’s subsequent prepayment or tax liabilities under this chapter. The commissioner shall authorize the department of revenue to make a cash refund to a health maintenance organization, in lieu of a credit against subsequent prepayment or tax liabilities under this section, if the health maintenance organization demonstrates the inability to recoup the funds paid via a credit.

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

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

4. Within five years after the tax return is filed or within five years after the tax return became due, whichever is later, the commissioner shall examine the return and determine the tax. An assessment or a claim for credit must be made within five calendar years after the annual tax filing is made. For a five-year period preceding the current calendar year, a company may apply for a credit, or the commissioner may make an assessment, as appropriate. 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.

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

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

1. An insurer may offset an assessment made pursuant to section 508C.9 against its premium tax liability pursuant to chapter 432 or health care-related tax liability pursuant to chapter 432B to the extent of twenty percent of the amount of the assessment for

each of the five calendar years following the year in which the assessment was paid. If an insurer ceases doing business, all uncredited assessments may be credited against its premium or health care-related tax liability for the year it ceases doing business.

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

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

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

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

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

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

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

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

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

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

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

Sec. 14. CONTINGENT EFFECTIVE DATE. The following takes effect upon the date the department of health and human services notifies the general assembly and the Code editor of the approval by the federal centers for Medicare and Medicaid services of the

United States department of health and human services of the method of taxation upon a health maintenance organization imposed pursuant to this division of the Act:

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

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

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

DIVISION II  
TAXPAYER RELIEF FUND TRANSFERS — SUPPLEMENTAL APPROPRIATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

for the purposes designated:

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

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

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

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

Approved March 25, 2026