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POLICY SPOTLIGHT

Bringing Portable Benefits to Iowa's Independent Workforce

Modernizing benefit laws could empower nearly 230,000 workers in Iowa

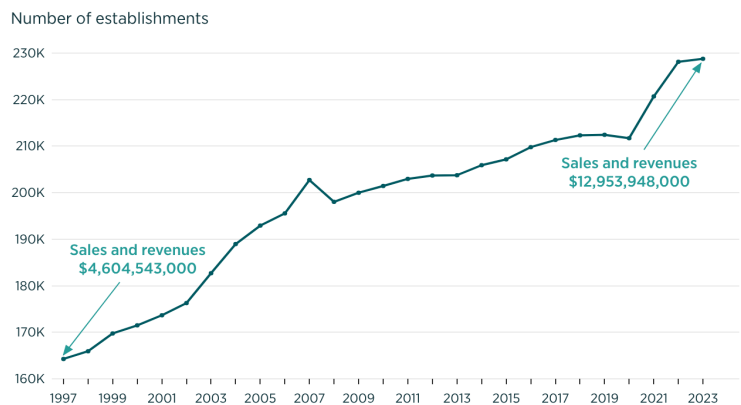
LIYA PALAGASHVILI | OCTOBER 2026

In today's economy, nearly 230,000 Iowa residents are freelancers, contractors, or self-employed workers. They include farmers, truckers, rideshare and delivery drivers, freelance creatives, real estate agents, hairstylists, childcare providers, professional consultants, and countless other occupations. US Census Bureau data show that this is a growing workforce, generating about \$13 billion annually in revenue or sales for the state (figure 1).

Yet because these workers operate outside traditional employment, they often lack job-based benefits such as health insurance, retirement plans, and paid leave—not because companies are unwilling to offer the benefits, but because outdated laws make it risky to provide them to nonemployees. In Iowa, providing benefits can trigger reclassification as an “employee.”

Many self-employed workers could gain access to benefits if companies were legally allowed to contribute to portable benefit plans on their behalf.

FIGURE 1. Growth in self-employment in Iowa, 1997 to 2023



Source: US Census Bureau, *Nonemployer Statistics (NES)*, last modified May 9, 2024, <https://www.census.gov/programs-surveys/nonemployer-statistics.html>.



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What Are Portable Benefits?

Portable benefits are a solution designed for today's flexible workforce. Tied to the individual worker—not a job or employer—portable benefits allow independent workers to receive contributions from multiple companies into a single worker-owned account managed by a bank or third-party platform. These accounts can support health insurance premiums, paid time off, retirement savings, and more.¹

Momentum Across the States

Eleven states have passed a portable benefits safe harbor clause. Four of those states include a tax advantage for independent workers who contribute. Two more states, Maryland and Pennsylvania, allow a pilot program.

- **Georgia, Louisiana, New Hampshire, North Carolina, Tennessee, Utah, and Wyoming:** Enacted reforms that remove legal barriers for companies to offer benefits to independent workers.
- **Alabama, Idaho, Kansas, and West Virginia:** Enacted tax-advantaged portable benefits laws that remove the legal barrier to access and encourage participation for both workers and companies.
- **Maryland and Pennsylvania:** Governors in these states have supported a DoorDash pilot giving Dashers benefits such as paid time off and health insurance support; in Pennsylvania, it delivered over \$1.3 million in benefits to previously ineligible workers. Of the participants, 77% felt more financially secure with the benefits, and 91% said they would feel even more secure if the pilot became permanent.

The Worker's Case for Portable Benefits

- **Preference for independent work:** According to the Bureau of Labor Statistics, 80.3% of independent workers prefer to stay independent; only 8.2% prefer W-2 work.
- **Support for benefits:** 80.1% of self-employed workers want access to portable benefits.
- **Desire for balance:** Workers want security without sacrificing flexibility and independence.

In Iowa, independent workers in these top 10 industries would benefit from portable benefits laws:

- | | |
|---|--------------------------------------|
| 1. Real Estate & Rental Leasing | 6. Retail Trade |
| 2. Construction | 7. Administrative & Support Services |
| 3. Transportation & Warehousing | 8. Health Care & Social Assistance |
| 4. Other Services (e.g., repair, personal care) | 9. Finance & Insurance |
| 5. Professional, Scientific, and Technical | 10. Arts, Entertainment, Recreation |

The Business Case for Portable Benefits

- **Workforce stability:** Helps attract and retain a more reliable and engaged independent workforce
- **Legal clarity:** Enables companies to offer benefits without fearing legal backlash
- **Operational flexibility:** The voluntary, opt-in model avoids mandates for resource-constrained businesses, while empowering better-resourced companies to support their independent workers

Policy Recommendation for Iowa

Iowa can join the national movement by allowing workers to create portable benefits accounts and companies to contribute to portable benefits funds without triggering worker reclassification rules. In doing so, Iowa can support a modern, inclusive economy that aligns with how people actually work today—empowering businesses to innovate and enabling workers to thrive.

¹ See <https://www.mercatus.org/research/policy-briefs/flexible-and-portable-benefits-independent-workers-state-policy-guide>.