

**Interest Payment Periods for Overpayments  
of Income and Withholding Taxes**

**General**

Chapter 170 of the Laws of 1994 changed the provisions of the New York State Tax Law and the Administrative Code of the City of New York relating to the interest-free period for crediting or refunding overpayments of tax. In addition, the period during which interest must be paid on credits or refunds of overpayments of withholding taxes made to employers has also been changed. These changes, explained below, apply only to the New York State, New York City and Yonkers personal income taxes, the New York City and Yonkers nonresident earnings taxes and to those state and city taxes that are withheld by an employer.

**Interest-Free Period**

The interest-free period for crediting or refunding an overpayment of personal income or nonresident earnings tax has been reduced from three months to 45 days. Accordingly, interest will not be allowed or paid on an overpayment shown on an original return, amended return, or claim for credit or refund that is credited or refunded by the Tax Department within 45 days from the last date prescribed (or permitted by extension) for filing the return for the tax year. However, if a return or claim for refund is filed after the prescribed (or extended) due date for filing a return for the tax year, no interest will be paid if the credit or refund is made within 45 days after the date the return or claim is actually filed.

This change applies to an overpayment shown on an original return, amended return or claim for refund that is filed for a tax year beginning after 1993.

### **Overpayments of Withholding Taxes**

Under the new law, if an overpayment of withholding tax claimed by an employer on a timely filed *Quarterly Combined Withholding and Wage Reporting Return* is not credited or refunded to the employer within 45 days of the due date of the quarterly return on which the overpayment is claimed, interest must be paid from the due date of the quarterly return. However, if the quarterly return or a refund claim is filed after the due date of the quarterly return, and the credit or refund is not made within 45 days after the date the return or claim is actually filed, interest will be paid only from the date the return or claim was actually filed. Under prior law, interest was generally paid only from April 15 of the year following the calendar year in which the overpayment was made.

This change applies to overpayments of withholding taxes for calendar years beginning after 1993.