

**New York State Department of Taxation and Finance**  
**Taxpayer Services Division**  
**Technical Services Bureau**

TSB-M-87  
(2) Corporation Tax  
(1) Estate and Gift Tax  
(2) Income Tax  
(2) Miscellaneous Tax  
(1) Real Property Transfer  
Gains Tax  
(1) Sales Tax  
January 26, 1987

Interest Rates on Late Payments, Assessments  
and Refunds of Tax

The Commissioner of Taxation and Finance has determined that the average One Year Constant Maturity Yield Index for United States Treasury Securities for the period October 1, 1986 through December 31, 1986 is 5.8%, and the average Prime Rate charged by banks for the same quarter is 7.5%. The Tax Law provides that when the average One Year Constant Maturity Yield Index for United States Treasury Securities or the average Prime Rate drops below 6%, the interest rate is 6% per annum. The 6% interest rate applies to interest charged or paid on taxes tied to the average One Year Constant Maturity Yield Index for United States Treasury Securities.

If a review of the average of the One Year Constant Maturity Yield Index for United States Treasury Securities and the average Prime Rate charged by banks as mandated by the Laws of 1981, indicates an increase or decrease is necessary, the next periodic change in interest rates will occur on September 1, 1987. A new memorandum will be issued covering the period September 1, 1987 through February 29, 1988 if a change in rates is required.

Interest rates to be charged or paid on late payments, assessments or refunds of tax which remain or become underpaid or overpaid during the period March 1, 1987 through February 29, 1988 are shown in the table on page 2.

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<u>Tax</u>	<u>Interest Rate Per Annum Compounded Daily<sup>1</sup></u>
Alcoholic Beverage <sup>2</sup>	6%
Cigarette (except refunds) <sup>3</sup>	6%
Corporation	7.5%
Diesel Motor Fuel	6%
Estate	6%
Gift	6%
Highway Use <sup>4</sup>	6%
Income	6%
Motor Fuel	6%
Real Property Transfer Gains	7.5%
Sales and Use - Refunds	6%
Late payments and assessments <sup>5</sup>	12%
Withholding	7.5%

<sup>1</sup>Daily compounding applies to interest required to be paid by the Tax Commission on overpayments or by the taxpayer on deficiencies (as explained in TSB-M-83(21) Corporation Tax, (3) Gift Tax, (13) Income Tax, (5) Miscellaneous Tax, (15) Sales Tax on and after September 1, 1983. Daily compounding of interest on estate tax became effective January 15, 1983 (see TSB-M-83(1) Estate and Gift Tax).

<sup>2</sup>Subdivision 1 of Section 434 of the Tax Law allows interest on refunds of the Alcoholic Beverage Tax (Article 18), but only where payments were made in error.

<sup>3</sup>Subdivision twenty-sixth of Section 171 of the Tax Law prohibits the payment of interest on overpayments of the Cigarette Tax (Article 20).

<sup>4</sup>Highway Use Tax - Interest is not applicable to refunds or credits made under the provisions of Section 503-a-3.

<sup>5</sup>Where the rate based on the average One Year Constant Maturity Yield Index for United States Treasury Securities drops below 12%, interest (compounded daily) is computed at 12% annually (1% per month) on sales tax assessments or late payments, except where failure to pay is due to reasonable cause and not willful neglect. When it is shown that the failure or delay in payment is due to reasonable cause and not willful neglect, the Tax Commission may waive the interest in excess of the minimum statutory rate. The minimum statutory rate as of March 1, 1987 is 6%.