

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

TSB-M-88
(2) Corporation Tax
(1) Estate and Gift Tax
(2) Income Tax
(2) Miscellaneous Tax
(1) Real Property Transfer
Gains Tax
(3) Sales Tax
January 26, 1988

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, 1987 through December 31, 1987 is 7.2% and the average Prime Rate charged by banks for the same quarter is 8.9%.

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, 1988. A new memorandum will be issued covering the period September 1, 1988 through February 28, 1989 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, 1988 through February 28, 1989 are shown in the table on page 2.

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<u>Tax</u>	<u>Interest Rate Per Annum Compounded Daily¹</u>
Alcoholic Beverage ²	7.2%
Boxing & Wrestling ³	8.9%
Cigarette (except refunds) ⁴	7.2%
Corporation	8.9%
Diesel Motor Fuel	7.2%
Estate	7.2%
Gift	7.2%
Hazardous Waste -	
Refunds	8.9%
Deficiencies ⁵	15%
Highway Use ⁶	7.2%
Income	7.2%
Motor Fuel	7.2%
Real Property Transfer Gains	8.9%
Sales and Use -	
Refunds	7.2%
Late payments and assessments ⁷	12%
Withholding	8.9%

¹ Daily compounding applies to interest required to be paid by the Tax Commissioner 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).

² Subdivision I 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.

³ Article 19 of the Tax Law is effective April 1, 1988.

⁴ Subdivision twenty-sixth of Section 171 of the Tax Law prohibits the payment of interest on overpayments of the Cigarette Tax (Article 20).

⁵ Interest on deficiencies is fixed by statute at 15% per annum (Section 27-0923 of the Environmental Conservation Law).

⁶ Highway Use Tax - Interest is not applicable to refunds or credits made under the provisions of Section 503-a-3.

⁷ 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 Commissioner may waive the interest in excess of the minimum statutory rate. The minimum statutory rate as of March 1, 1988 is 7.2%.