

Introduced by Senator Poochigian

February 23, 2001

An act to amend Section 6591.5 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 825, as introduced, Poochigian. Taxes and fees: interest.

Existing law provides that interest is paid by taxpayers and feepayers with respect to underpayments of various taxes, surcharges, and fees at the modified adjusted rate, as defined by reference to a specified federal statute, and that interest is paid to taxpayers and feepayers with respect to overpayments of various taxes, surcharges, and fees as determined in accordance with a specified federal statute, which requires that the rate paid on overpayments be based on the rate of 13-week treasury bills, as specified.

This bill would delete the requirement that interest on overpayments be based on the rate of 13-week treasury bills and would instead require that interest on both underpayments and overpayments be determined in accordance with the specified federal statute, as modified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 6591.5 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 6591.5. (a) ~~(1) For interest required to be paid to the state~~
- 4 ~~upon underpayments of tax to the state, "modified~~ "Modified
- 5 adjusted rate per annum" means the adjusted annual rate



1 established pursuant to subdivision (c), plus three percentage
2 points.

3 ~~(2) For interest required to be paid by the state upon~~
4 ~~overpayments of tax, “modified adjusted rate per annum” means~~
5 ~~the adjusted annual rate established pursuant to subdivision (d).~~

6 (b) “Modified adjusted rate per month, or fraction thereof”
7 means the modified adjusted rate per annum divided by 12.

8 (c) ~~The rate established for interest to be paid upon~~
9 ~~underpayments of tax shall be determined in accordance with the~~
10 ~~provisions of Section 6621 of the Internal Revenue Code which~~
11 ~~establish the underpayment rate, except that the:~~

12 (1) ~~The overpayment rate specified in Section 6621(a)(1) of the~~
13 ~~Internal Revenue Code shall be modified to be equal to the~~
14 ~~underpayment rate determined under Section 6621(a)(2) of the~~
15 ~~Internal Revenue Code.~~

16 (2) ~~The determination specified in Section 6621(b) of the~~
17 ~~Internal Revenue Code shall be modified to be determined~~
18 ~~semiannually as follows:~~

19 ~~(1)~~

20 (A) The rate for January shall apply for the following July 1 to
21 December 31, inclusive.

22 ~~(2)~~

23 (B) The rate for July shall apply for the following January 1 to
24 June 30, inclusive.

25 ~~(d) (1) Except as provided in paragraph (2), the rate~~
26 ~~established for interest to be paid by the state upon overpayments~~
27 ~~of tax shall be equal to the bond equivalent rate of 13-week~~
28 ~~treasury bills auctioned, rounded to the nearest full percent (or if~~
29 ~~a multiple of one-half of 1 percent, the rate shall be increased to~~
30 ~~the next highest full percent), as follows:~~

31 ~~(A) The bond equivalent rate of 13-week treasury bills~~
32 ~~established at the first auction held during the month of January~~
33 ~~shall apply for the following July 1 to December 31, inclusive.~~

34 ~~(B) The bond equivalent rate of 13-week treasury bills~~
35 ~~established at the first auction held during the month of July shall~~
36 ~~apply for the following January 1 to June 30, inclusive.~~

37 ~~(2) For the period July 1, 1991, through June 30, 1992, the rate~~
38 ~~to be paid by the state upon overpayments of tax shall be equal to~~
39 ~~the bond equivalent rate of 13-week treasury bills established at~~
40 ~~the auction held on July 1, 1991, rounded to the nearest full percent~~



1 ~~(or if a multiple of one-half of 1 percent, the rate shall be increased~~
2 ~~to the next highest full percent).~~

3 ~~(e)~~ For purposes of this part, and any other provision of law
4 referencing this method of computation, in computing the amount
5 of any interest required to be paid by the state or by the taxpayer,
6 or any other amount determined by reference to that amount of
7 interest, that interest and that amount shall be computed as simple
8 interest, not compound interest.

