

AMENDED IN ASSEMBLY APRIL 9, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2048**

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**Introduced by Assembly Member Donnelly**

February 23, 2012

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2048, as amended, Donnelly. State Board of Equalization: administration: interest.

The Sales and Use Tax Law, and other laws by reference to that law, provide that interest is paid by taxpayers and feepayers with respect to underpayments of various taxes, surcharges, and fees at a modified adjusted rate per annum, 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 ~~instead~~ *revise the definition of "modified adjusted rate per annum," which would thereby* require that interest on overpayments be determined in the same manner as interest on underpayments is *now* determined.

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) “Modified adjusted rate per annum” means the  
 4 ~~adjusted annual rate established pursuant to subdivision (c), plus~~  
 5 ~~three percentage points; rate determined in accordance with the~~  
 6 *provisions of Section 6621(a)(2) of the Internal Revenue Code,*  
 7 *which establishes the underpayment rate under that code, plus*  
 8 *three percentage points, except its reference to Section 6621(b) of*  
 9 *the Internal Revenue Code, and the determination therein, shall*  
 10 *be modified to be determined semiannually as follows:*  
 11 (1) *The rate for January shall apply for the following July 1 to*  
 12 *December 31, inclusive.*  
 13 (2) *The rate for July shall apply for the following January 1 to*  
 14 *June 30, inclusive.*  
 15 (b) “Modified adjusted rate per month, or fraction thereof”  
 16 means the modified adjusted rate per annum divided by 12.  
 17 ~~(c) The rate established for interest to be paid upon~~  
 18 ~~underpayments of tax shall be determined in accordance with the~~  
 19 ~~provisions of Section 6621(a)(2) of the Internal Revenue Code,~~  
 20 ~~which establishes the underpayment rate under that code, except~~  
 21 ~~its reference to Section 6621(b) of the Internal Revenue Code, and~~  
 22 ~~the determination therein, shall be modified to be determined~~  
 23 ~~semiannually as follows:~~  
 24 ~~(1) The rate for January shall apply for the following July 1 to~~  
 25 ~~December 31, inclusive.~~  
 26 ~~(2) The rate for July shall apply for the following January 1 to~~  
 27 ~~June 30, inclusive.~~  
 28 ~~(d) The rate established for interest to be paid on overpayments~~  
 29 ~~of tax shall be determined in accordance with subdivision (c).~~  
 30 (e)  
 31 (c) For purposes of this part, and any other provision of law  
 32 referencing this method of computation, in computing the amount  
 33 of any interest required to be paid by the state or by the taxpayer,  
 34 or any other amount determined by reference to that amount of  
 35 interest, that interest and that amount shall be computed as simple  
 36 interest, not compound interest.

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