

TITLE 26 - INTERNAL REVENUE CODE**Subtitle F - Procedure and Administration****CHAPTER 67 - INTEREST****Subchapter C - Determination of Interest Rate; Compounding of Interest****§ 6621. Determination of rate of interest****(a) General rule****(1) Overpayment rate**

The overpayment rate established under this section shall be the sum of—

- (A) the Federal short-term rate determined under subsection (b), plus
- (B) 3 percentage points (2 percentage points in the case of a corporation).

To the extent that an overpayment of tax by a corporation for any taxable period (as defined in subsection (c)(3), applied by substituting “overpayment” for “underpayment”) exceeds \$10,000, subparagraph (B) shall be applied by substituting “0.5 percentage point” for “2 percentage points”.

(2) Underpayment rate

The underpayment rate established under this section shall be the sum of—

- (A) the Federal short-term rate determined under subsection (b), plus
- (B) 3 percentage points.

(b) Federal short-term rate

For purposes of this section—

(1) General rule

The Secretary shall determine the Federal short-term rate for the first month in each calendar quarter.

(2) Period during which rate applies**(A) In general**

Except as provided in subparagraph (B), the Federal short-term rate determined under paragraph (1) for any month shall apply during the first calendar quarter beginning after such month.

(B) Special rule for individual estimated tax

In determining the addition to tax under section 6654 for failure to pay estimated tax for any taxable year, the Federal short-term rate which applies during the 3rd month following such taxable year shall also apply during the first 15 days of the 4th month following such taxable year.

(3) Federal short-term rate

The Federal short-term rate for any month shall be the Federal short-term rate determined during such month by the Secretary in accordance with section 1274 (d). Any such rate shall be rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, such rate shall be increased to the next highest full percent).

(c) Increase in underpayment rate for large corporate underpayments**(1) In general**

For purposes of determining the amount of interest payable under section 6601 on any large corporate underpayment for periods after the applicable date, paragraph (2) of subsection (a) shall be applied by substituting “5 percentage points” for “3 percentage points”.

(2) Applicable date

For purposes of this subsection—

(A) In general

The applicable date is the 30th day after the earlier of—

- (i) the date on which the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals is sent, or
- (ii) the date on which the deficiency notice under section 6212 is sent.

The preceding sentence shall be applied without regard to any such letter or notice which is withdrawn by the Secretary.

(B) Special rules

(i) Nondeficiency procedures

In the case of any underpayment of any tax imposed by this title to which the deficiency procedures do not apply, subparagraph (A) shall be applied by taking into account any letter or notice provided by the Secretary which notifies the taxpayer of the assessment or proposed assessment of the tax.

(ii) Exception where amounts paid in full

For purposes of subparagraph (A), a letter or notice shall be disregarded if, during the 30-day period beginning on the day on which it was sent, the taxpayer makes a payment equal to the amount shown as due in such letter or notice, as the case may be.

(iii) Exception for letters or notices involving small amounts

For purposes of this paragraph, any letter or notice shall be disregarded if the amount of the deficiency or proposed deficiency (or the assessment or proposed assessment) set forth in such letter or notice is not greater than \$100,000 (determined by not taking into account any interest, penalties, or additions to tax).

(3) Large corporate underpayment

For purposes of this subsection—

(A) In general

The term “large corporate underpayment” means any underpayment of a tax by a C corporation for any taxable period if the amount of such underpayment for such period exceeds \$100,000.

(B) Taxable period

For purposes of subparagraph (A), the term “taxable period” means—

- (i) in the case of any tax imposed by subtitle A, the taxable year, or
- (ii) in the case of any other tax, the period to which the underpayment relates.

(d) Elimination of interest on overlapping periods of tax overpayments and underpayments

To the extent that, for any period, interest is payable under subchapter A and allowable under subchapter B on equivalent underpayments and overpayments by the same taxpayer of tax imposed by this title, the net rate of interest under this section on such amounts shall be zero for such period.

(Added Pub. L. 93–625, § 7(a)(1), Jan. 3, 1975, 88 Stat. 2114; amended Pub. L. 94–455, title XIX, § 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 96–167, § 4(b), Dec. 29, 1979, 93 Stat. 1275; Pub. L. 97–34, title VII, § 711(a)–(c), Aug. 13, 1981, 95 Stat. 340; Pub. L. 97–248, title III, § 345(a), Sept. 3, 1982, 96 Stat. 636; Pub. L. 98–369, div. A, title I, § 144(a), July 18, 1984, 98 Stat. 682; Pub. L. 99–514, title XV, §§ 1511(a), (c)(1), 1535 (a), Oct. 22, 1986, 100 Stat. 2744, 2750; Pub. L. 100–647, title I, § 1015(d), Nov. 10, 1988, 102 Stat. 3569; Pub. L. 101–239, title VII, § 7721(b), Dec. 19, 1989, 103 Stat. 2399; Pub. L. 101–508, title XI, § 11341(a), Nov. 5, 1990, 104 Stat. 1388–470; Pub. L. 103–465, title VII, § 713(a), Dec. 8, 1994, 108 Stat. 5001; Pub. L. 104–188, title I, § 1702(c)(6), (7), Aug. 20, 1996, 110 Stat.

1870; Pub. L. 105–34, title XIV, § 1463(a), title XVI, § 1604(b)(1), Aug. 5, 1997, 111 Stat. 1057, 1097; Pub. L. 105–206, title III, §§ 3301(a), 3302 (a), July 22, 1998, 112 Stat. 741.)

Amendments

1998—Subsec. (a)(1)(B). Pub. L. 105–206, § 3302(a), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “2 percentage points.”

Subsec. (d). Pub. L. 105–206, § 3301(a), added subsec. (d).

1997—Subsec. (a)(1). Pub. L. 105–34, § 1604(b)(1), substituted “subsection (c)(3), applied by substituting ‘overpayment’ for ‘underpayment’” for “subsection (c)(3)” in concluding provisions.

Subsec. (c)(2)(B)(iii). Pub. L. 105–34, § 1463(a), added cl. (iii).

1996—Subsec. (c)(2)(A). Pub. L. 104–188, § 1702(c)(6), inserted closing provisions “The preceding sentence shall be applied without regard to any such letter or notice which is withdrawn by the Secretary.”

Subsec. (c)(2)(B)(i). Pub. L. 104–188, § 1702(c)(7), substituted “this title” for “this subtitle”.

1994—Subsec. (a)(1). Pub. L. 103–465 inserted concluding provisions.

1990—Subsec. (c). Pub. L. 101–508 added subsec. (c).

1989—Subsec. (c). Pub. L. 101–239 repealed subsec. (c) which related to attribution of interest on substantial underpayments to tax motivated transactions.

1988—Subsec. (a)(1)(A), (2)(A). Pub. L. 100–647, § 1015(d)(1), substituted “Federal short-term” for “short-term Federal”.

Subsec. (b). Pub. L. 100–647, § 1015(d)(2), substituted “Federal short-term” for “short-term Federal” in heading.

Subsec. (b)(1). Pub. L. 100–647, § 1015(d)(1), substituted “Federal short-term” for “short-term Federal”.

1986—Subsec. (a). Pub. L. 99–514, § 1511(a), added subsec. (a) and struck out former subsec. (a) which read as follows: “The annual rate established under this section shall be such adjusted rate as is established by the Secretary under subsection (b).”

Subsec. (b). Pub. L. 99–514, § 1511(a), added subsec. (b) relating to determination of Federal short-term rate and struck out former subsec. (b) which related to interest rate adjustments and establishment of adjusted rates.

Subsec. (c). Pub. L. 99–514, § 1511(a), (c)(1), redesignated subsec. (d) as (c), in par. (1), struck out “annual” before “rate of interest” and substituted “the underpayment rate established under this section” for “the adjusted rate established under subsection (b)”, and struck out former subsec. (c) definition of prime rate, which read as follows: “For purposes of subsection (b), the term ‘adjusted prime rate charged by banks’ means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System.”

Subsec. (c)(3)(A)(v). Pub. L. 99–514, § 1535(a), added cl. (v).

Subsec. (d). Pub. L. 99–514, § 1511(c)(1)(A), redesignated subsec. (d) as (c).

1984—Subsec. (d). Pub. L. 98–369 added subsec. (d).

1982—Subsec. (b). Pub. L. 97–248 substituted provisions that if the adjusted prime rate charged by banks (rounded to the nearest full percent) during the 6-month period ending on September 30 of any calendar year, or during the 6-month period ending on March 31 of any calendar year, differs from the interest rate in effect under this section on either such date, respectively, then the Secretary shall establish, within 15 days after the close of the applicable 6-month period, an adjusted rate of interest equal to such adjusted prime rate, and that any adjusted rate of interest established under paragraph (1) shall become effective on January 1 of the succeeding year in the case of an adjustment attributable to paragraph (1)(A), and on July 1 of the same year in the case of an adjustment attributable to paragraph (1)(B), for provisions that the Secretary was to establish an adjusted rate of interest for the purpose of subsection (a) not later than October 15 of any year if the adjusted prime rate charged by banks during September of that year, rounded to the nearest full percent, was at least a full percentage point more or less than the interest rate which was then in effect, and that any such adjusted rate of interest would be equal to the adjusted prime rate charged by banks, rounded to the nearest full percent, and would become effective on January 1 of the immediately succeeding year.

1981—Subsec. (b). Pub. L. 97–34, § 711(a), struck out provision that an adjustment provided for under this subsection not be made prior to the expiration of 23 months following the date of any preceding adjustment under this subsection which changes the rate of interest.

NB: This unofficial compilation of the U.S. Code is current as of Jan. 4, 2010 (see <http://www.law.cornell.edu/uscode/uscpri.html>).

Pub. L. 97–34, § 711(c), substituted “January 1” for “February 1”.

Subsec. (c). Pub. L. 97–34, § 711(b), struck out “90 percent of” before “the average predominant prime rate”.

1979—Subsec. (a). Pub. L. 96–167 substituted provisions setting the annual rate established under this section to be such adjusted rate as is established by the Secretary under subsec. (b) of this section for provision that the rate of interest under sections 6601 (a), 6602, 6611 (a), 6332 (c)(1), and 7426 (g) of this title, and under section 2411 (a) of title 28 was to be 9 percent per annum, or such adjusted rate as was established by the Secretary under subsection (b).

1976—Subsecs. (a), (b). Pub. L. 94–455 struck out “or his delegate” after “Secretary”.

Effective Date of 1998 Amendment

Amendment by section 3301(a) of Pub. L. 105–206 applicable to interest for periods beginning after July 22, 1998, and, subject to applicable statutes of limitation, to interest for periods beginning before July 22, 1998, if taxpayer reasonably identifies and establishes periods of overpayments and underpayments for which zero rate applies, and not later than Dec. 31, 1999, requests application of subsec. (d) of this section to such periods, see section 3301(c) of Pub. L. 105–206, set out as a note under section 6601 of this title.

Pub. L. 105–206, title III, § 3302(b), July 22, 1998, 112 Stat. 742, provided that: “The amendment made by this section [amending this section] shall apply to interest for the second and succeeding calendar quarters beginning after the date of the enactment of this Act [July 22, 1998].”

Effective Date of 1997 Amendment

Section 1463(b) of Pub. L. 105–34 provided that: “The amendment made by subsection (a) [amending this section] shall apply for purposes of determining interest for periods after December 31, 1997.”

Amendment by section 1604(b)(1) of Pub. L. 105–34 effective as if included in the sections of the Uruguay Round Agreements Act, Pub. L. 103–465, to which it relates, see section 1604(b)(4) of Pub. L. 105–34, set out as a note under section 412 of this title.

Effective Date of 1996 Amendment

Amendment by Pub. L. 104–188 effective, except as otherwise expressly provided, as if included in the provision of the Revenue Reconciliation Act of 1990, Pub. L. 101–508, title XI, to which such amendment relates, see section 1702(i) of Pub. L. 104–188, set out as a note under section 38 of this title.

Effective Date of 1994 Amendment

Section 713(b) of Pub. L. 103–465 provided that: “The amendment made by this section [amending this section] shall apply for purposes of determining interest for periods after December 31, 1994.”

Effective Date of 1990 Amendment

Section 11341(b) of Pub. L. 101–508 provided that: “The amendment made by subsection (a) [amending this section] shall apply for purposes of determining interest for periods after December 31, 1990.”

Effective Date of 1989 Amendment

Amendment by Pub. L. 101–239 applicable to returns the due date for which (determined without regard to extensions) is after Dec. 31, 1989, see section 7721(d) of Pub. L. 101–239, set out as a note under section 461 of this title.

Effective Date of 1988 Amendment

Amendment by Pub. L. 100–647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99–514, to which such amendment relates, see section 1019(a) of Pub. L. 100–647, set out as a note under section 1 of this title.

Effective Date of 1986 Amendment

Amendment by section 1511(a), (c)(1) of Pub. L. 99–514 applicable for purposes of determining interest for periods after Dec. 31, 1986, see section 1511(d) of Pub. L. 99–514, set out as a note under section 47 of this title.

Section 1535(b) of Pub. L. 99–514 provided that: “The amendment made by subsection (a) [amending this section] shall apply to interest accruing after December 31, 1984; except that such amendment shall not apply in the case of any underpayment with respect to which there was a final court decision before the date of the enactment of this Act [Oct. 22, 1986].”

Effective Date of 1984 Amendment

Section 144(c) of Pub. L. 98–369 provided that: “The amendments made by this section [amending this section and section 6214 of this title] shall apply with respect to interest accruing after December 31, 1984.”

Effective Date of 1982 Amendment

Section 345(b) of Pub. L. 97–248, as amended by Pub. L. 98–369, div. A, title VII, § 714(m), July 18, 1984, 98 Stat. 963, provided that: “The amendment made by this section [amending this section] shall apply to adjustments taking effect on or after January 1, 1983.”

Effective Date of 1981 Amendment

Section 711(d) of Pub. L. 97–34 provided that:

“(1) For subsections (a) and (b).—The amendments made by subsections (a) and (b) [amending this section] shall apply to adjustments made after the date of the enactment of this Act [Aug. 13, 1981].

“(2) For subsection (c).—The amendment made by subsection (c) [amending this section] shall apply to adjustments made for periods after 1982.”

Effective Date of 1979 Amendment

Section 4(c)(2) of Pub. L. 96–167 provided that: “The amendment made by subsection (b) [amending this section] shall take effect on the date of the enactment of this Act [Dec. 29, 1979].”

Effective Date

Section 7(e) of Pub. L. 93–625 provided that: “The amendments made by this section [enacting this section and amending sections 514, 6163, 6166, 6167, 6332, 6504, 6601, 6602, 6611, 6654, 6655, and 7426 of this title and section 2411 of Title 28, Judiciary and Judicial Procedure] shall take effect on July 1, 1975, and apply to amounts outstanding on such date or arising thereafter.”

Regulations

Section 1511(b) of Pub. L. 99–514 provided that: “The Secretary of the Treasury or his delegate may issue regulations to coordinate section 6621 of the Internal Revenue Code of 1954 [now 1986] (as amended by this section) with section 6601(f) of such Code. Such regulations shall not apply to any period after the date 3 years after the date of the enactment of this Act [Oct. 22, 1986].”