

§ 301.6621-1

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of a tax of the same character previously paid in part, and includes the assessment of a deficiency as defined in section 6211.

(v) *Interest.* In the case of a credit against interest that accrues for any period ending prior to January 1, 1983, the due date is the earlier of the date of assessment of such interest or December 31, 1982. In the case of a credit against interest that accrues for any period beginning on or after December 31, 1982, such interest is due as it economically accrues on a daily basis, rather than when it is assessed.

(vi) *Additional amount, addition to the tax, or assessable penalty.* In the case of a credit against an additional amount, addition to the tax, or assessable penalty, the due date is the earlier of the date of assessment or the date from which such amount would bear interest if not satisfied by payment or credit.

(vii) *Estimated income tax for succeeding year.* If the taxpayer elects to have all or part of the overpayment shown by his return applied to his estimated tax for his succeeding taxable year, no interest shall be allowed on such portion of the overpayment credited and such amount shall be applied as a payment on account of the estimated tax for such year or the installments thereof.

(i) [Reserved]

(j) *Refund of overpayment.* No interest shall be allowed on any overpayment of tax imposed by subtitle A of the Code if such overpayment is refunded—

(1) In the case of a return filed on or before the last date prescribed for filing the return of such tax (determined without regard to any extension of time for filing such return), within 45 days after such last date, or

(2) After December 17, 1966, in the case of a return filed after the last day prescribed for filing the return, within 45 days after the date on which the return is filed.

However, in the case of any overpayment of tax by an individual (other than an estate or trust and other than a nonresident alien individual) for a taxable year beginning in 1974, “60 days” shall be substituted for “45 days” each place it appears in this paragraph.

(k) *Effective date.* Paragraphs (h)(2)(v) and (h)(2)(vi) of this section are effective for credits made on or after August 25, 1992.

[32 FR 15241, Nov. 3, 1967, as amended by T.D. 7301, 39 FR 979, Jan. 4, 1974; T.D. 7384, 40 FR 49325, Oct. 22, 1975; T.D. 7415, 41 FR 14369, Apr. 5, 1976; T.D. 8524, 59 FR 10076, Mar. 3, 1994]

DETERMINATION OF INTEREST RATE

§ 301.6621-1 Interest rate.

(a) *In general.* The interest rate established under section 6621 shall be—

(1) On amounts outstanding before July 1, 1975, 6 percent per annum (or 4 percent in the case of certain extensions of time for payment of taxes as provided in sections 6601 (b) and (j) prior to amendment by section 7(b) of the Act of Jan. 3, 1975 (Pub. L. 93-625, 88 Stat. 2115), and certain overpayments of the unrelated business income tax as provided in section 514(b)(3)(D), prior to its amendment by such Act).

(2) On amounts outstanding—

After	And before	Rate per annum (percent)
June 30, 1975 .....	Feb. 1, 1976 .....	9
Jan. 31, 1976 .....	Feb. 1, 1978 .....	7
Jan. 31, 1978 .....	Feb. 1, 1980 .....	6
Jan. 31, 1980 .....	Feb. 1, 1982 .....	12
Jan. 31, 1982 .....	Jan. 1, 1983 .....	20

(3) On amounts outstanding after December 31, 1982, the adjusted rate established by the Commissioner under section 6621(b). This adjusted rate shall be published by the Commissioner in a Revenue Ruling. See § 301.6622-1 for application of daily compounding in determining interest accruing after December 31, 1982. Because interest accruing after December 31, 1982, accrues at the prescribed rate per annum compounded daily, the effective annual percentage rate of interest will exceed the prescribed rate of interest.

(b) [Reserved]

(c) *Applicability of interest rate—(1) Computation.* Interest and additions to tax on any amount outstanding on a specific day shall be computed at the annual rate applicable on such day.

(2) *Additions to tax.* Additions to tax under any section of the Code that refers to the annual rate established under this section, including sections 644(a)(2)(B), 4497(c)(2), 6654(a), and 6655 (a) and (g), shall be computed at the

same rate per annum as the interest rate set forth under paragraph (a) of this section.

(3) *Interest.* Interest provided for under any section of the Code that refers to the annual rate established under this section, including sections 47(d)(3)(G), 167(q), 6332(c)(1), 6343(c), 6601(a), 6602, 6611(a), 7426(g), and section 1961(c)(1) or 2411 of title 28 of the United States Code, shall be computed at the rate per annum set forth under paragraph (a) of this section.

(d) *Examples.* The provisions of this section may be illustrated by the following examples. Example 6 illustrates the computation of interest for interest accruing after December 31, 1982.

*Example 1.* A, an individual, files an income tax return for the calendar year 1974 on April 15, 1975, showing a tax due of \$1,000. A pays the \$1,000 on September 1, 1975. Pursuant to section 6601(a), interest on the underpayment of \$1,000 is computed at the rate of 6 percent per annum from April 15, 1975, to June 30, 1975, a total of 76 days. Interest for 63 days, from June 30, 1975, to September 1, 1975, shall be computed at the rate of 9 percent per annum.

*Example 2.* An executor of an estate is granted, in accordance with section 6161(a)(2)(A), a two-year extension of time for payment of the estate tax shown on the estate tax return, which tax was otherwise due on January 15, 1974. The tax is paid on January 15, 1976. Interest on the underpayment shall be computed at the rate of 4 percent per annum from January 15, 1974, to June 30, 1975, and at the rate of 9 percent per annum from June 30, 1975, to January 15, 1976.

*Example 3.* X, a corporation, files its 1973 corporate income tax return on March 15, 1974, and pays the balance of tax due shown thereon. On August 1, 1975, an assessment of a deficiency is made against X with respect to such tax. The deficiency is paid on October 1, 1975. Interest at the rate of 6 percent per annum is due on the deficiency from March 15, 1974, the due date of the return, to June 30, 1975, and at the rate of 9 percent per annum from June 30, 1975, to October 1, 1975.

*Example 4.* Y, an individual, files an amended individual income tax return on October 1, 1975, for the refund of an overpayment of income tax Y made on April 15, 1975. Interest is allowed on the overpayment to December 1, 1975. Pursuant to section 6611(a), interest is computed at the rate of 6 percent per annum from April 15, 1975, the date of overpayment, to June 30, 1975. Interest from June 30, 1975, to December 1, 1975, shall be computed at the rate of 9 percent per annum.

*Example 5.* A, an individual, is liable for an addition to tax under section 6654 for the un-

derpayment of estimated tax from April 15, 1975 until January 15, 1976. The addition to tax shall be computed at the annual rate of 6 percent per annum from April 15, 1975, to June 30, 1975, and at the annual rate of 9 percent per annum from June 30, 1975, to January 15, 1976.

*Example 6.* B, an individual, files an income tax return for calendar year 1980 on April 15, 1981, showing a tax due of \$1,000. B pays the \$1,000 on March 1, 1983. Under section 6601 (a), interest on the \$1,000 underpayment is due from April 15, 1981, to March 1, 1983. Such interest is computed at the rate of 12 percent per annum, simple interest from April 15, 1981, to January 31, 1982, and at the rate of 20 percent per annum, simple interest from January 31, 1982, to December 31, 1982, and at the rate of 16 percent per annum, compounded daily, from December 31, 1982, to March 1, 1983. The total simple interest accrued but unpaid at the end of December 31, 1982, is combined with the \$1,000 underpayment for purposes of determining the amount of daily compounded interest to be charged from December 31, 1982, to March 1, 1983.

[T.D. 7907, 48 FR 38230, Aug. 23, 1983; 48 FR 41018, Sept. 13, 1983; 48 FR 41581, Sept. 16, 1983]

**§ 301.6621-2T Questions and answers relating to the increased rate of interest on substantial underpayments attributable to certain tax motivated transactions (temporary).**

The following questions and answers relate to the increased rate of interest on substantial underpayments attributable to certain tax motivated transactions as provided in section 6621(d) of the Internal Revenue Code of 1954, as added by section 144 of the Tax Reform Act of 1984 (Pub. L. 98-369, 98 Stat. 682):

Q-1. What is the annual interest rate under section 6621 for purposes of computing the amount of interest that must be paid under section 6601 (relating to interest on underpayments)?

A-1. In general, the annual interest rate for purposes of section 6601 is the adjusted rate of interest established under section 6621 (b) § 301.6621-1 (“adjusted rate”). If, however, a tax motivated underpayment (as defined in A-2 of this section) for a taxable year is substantial (as defined in A-7 of this section), section 6621(d) provides that the annual rate of interest with respect to the tax motivated underpayment is 120 percent of the adjusted rate (“120