



STATE BOARD OF EQUALIZATION

June 18, 1993

Re: Interest Applicable to Late Tax Payment
Dear,

Your letter dated April 19, 1993 and addressed to Michelle Sommer of the State Board, was forwarded to this office for response.

You state in your letter that a tax payment by your company of \$25,634 was approximately one week late. The interest assessed by the State Board of Equalization (SBE) for the late payment was \$235.00. You calculate that to be one full months interest at an 11% annual rate.

You question whether your company should be assessed a full month's interest.

California Revenue and Taxation Code section 6459 permits the Board to extend the time for the filing of a return or the payment of tax not to exceed one month. Any person to whom such an extension is granted "shall pay, in addition to the tax, interest at the modified adjusted rate per month, or fraction thereof, established pursuant to section 6591.5, from the date on which the tax would have been due without the extension until the date of payment."

Revenue and Taxation Code section 6591 provides that if any person fails to pay any tax, except amounts of certain determinations, within the time required, a penalty "plus interest at the modified adjusted rate per month, or fraction thereof, established pursuant to section 6591.5, from the date on which the tax or the amount of tax required to be collected became due and payable to the state until the date of payment" shall be paid.

Revenue and Taxation Code section 6591.5 (b) defines the term "modified adjusted rate per month, or fraction thereof" as the modified adjusted rate per annum divided by 12.

It is our opinion that interest for the late payment of tax accrues at a monthly rate and if any payment of tax is late, the full monthly rate is applicable for any portion of a monthly period for which the tax has not been paid.

I hope this explanation is helpful to you.

Very truly yours,

Thomas Cooke
Tax Counsel