

MEMORANDUM

TO: Commissioner, Deputy Commissioner, General Counsel,
Division Directors, Policy Analysts and Staff Attorneys

FROM: Alexa Lewis

DATE: October 30, 2017

SUBJECT: 2018 Interest Rates

Title 32 V.S.A. § 3108 (Establishment of interest rates) as most recently amended by Act 143 (2012) requires the Commissioner to set rates no later than December 15th for the calculation of interest on underpayment and overpayment of tax liabilities for the upcoming calendar year. The annual rate for overpayments is rounded up to the nearest quarter percent, with the monthly rate rounded to the nearest whole tenth of a percent. The annual rate for underpayments is set at 200 basis points above the rate for overpayments.

The average prime loan rate charged by banks (as determined by the Board of Governors of the Federal Reserve System) for the 12-month period beginning October 1, 2016 and ending September 30, 2017 was 3.91%. Rounding up to the nearest quarter of a percent, the annual rate for overpayment of tax is 4%. Adding 200 basis points, the 2018 annual interest rate for underpayment of tax is 6%

Under 32 V.S.A. § 3108(a), the monthly rate is rounded up to the nearest whole tenth of a percent, producing an interest rate applicable to overpayments of 0.4% per month for 2018, and .5% per month applicable to underpayments.

These rates are effective beginning January 1, 2018 and apply to interest that accrues in calendar year 2018.

10/30/17
Date

APPROVED: _____


Kaj Samsom
Commissioner of Taxes