



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEC 22 1996

MEMORANDUM FOR PAULINE RIENDEAU
ACTING DIRECTOR, INTEREST ADMINISTRATION

FROM: David B. Auclair
Assistant to the Branch Chief CC:DOM:IT&A:1

SUBJECT: Overpayment Interest Rate for S Corporations

This responds to your request for clarification of the interest rate on overpayments for S corporations under § 6621(a)(1) of the Internal Revenue Code (Code). [REDACTED]

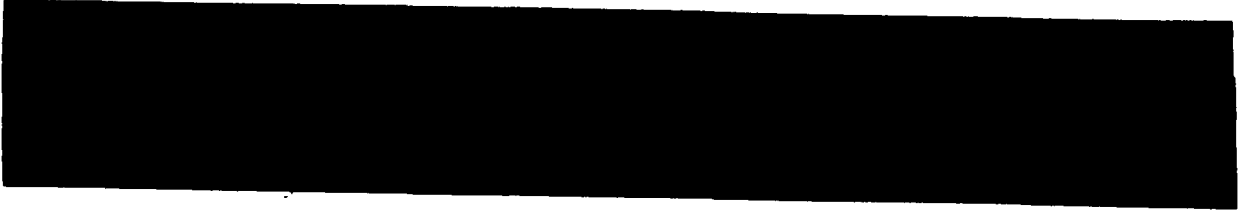
General Overpayment Rate

Section 3302 of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206, 112 Stat. 685, 745 (RRA 1998) amended § 6621(a)(1) of the Code to provide that for the calendar quarter beginning on January 1, 1999 and succeeding calendar quarters, the overpayment rate is the Federal short term rate plus 3 percentage points (2 percentage points in the case of a corporation). Section 1361(a)(1) of the Code defines an "S corporation" as a small business corporation that made the election provided under § 1362(a). Nothing in the legislative history accompanying § 3302 of RRA 1998 indicates that Congress intended to exclude S corporations from the term corporation as used in that subsection. Accordingly, the general overpayment rate for S corporations for the calendar quarter beginning on January 1, 1999 and succeeding calendar quarters, is the Federal short term rate plus 2 percentage points. [REDACTED]

Overpayments in Excess of \$10,000

The last sentence of § 6621(a)(1) provides that to the extent that an overpayment of tax by a corporation for any taxable period exceeds \$10,000, the overpayment rate is the Federal short term rate plus 0.5 percentage point. [REDACTED]

PMTA: 00244



If you have any questions regarding this memorandum, please contact me at (202) 622-7639.