



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0073  
916-327-4975 • FAX 916-324-2586  
www.boe.ca.gov

BETTY T. YEE  
First District, San Francisco

SEN. GEORGE RUNNER (RET.)  
Second District, Lancaster

MICHELLE STEEL  
Third District, Orange County

JEROME E. HORTON  
Fourth District, Los Angeles

JOHN CHIANG  
State Controller

CYNTHIA BRIDGES  
Executive Director

March 28, 2014

The Honorable Jim Patterson  
Member, California State Assembly  
State Capitol, Room 4102  
Sacramento, CA 95814

Dear Assembly Member Patterson:

**The members of the BOE recently voted to support your Assembly Bill 2429,** which eliminates the significant interest rate disparity between overpayments and late payments in the BOE's tax and fee programs. Currently, the late payment interest rate assessed against tax and fee payers is 6% annually. The overpayment interest rate allowed on refunds to BOE tax and fee payers is 0% annually.

**Rates have been historically equal.** From 1937 to 1991, the interest rates were the same for overpayments and late payments. The 1991 legislation to lower the overpayment interest rate was entirely based on minimizing the interest revenue losses associated with significant refunds the state was required to pay because of an unfavorable court decision in 1990. Since the refunds were paid years ago, the interest rate disparity is no longer justified. Accordingly, the BOE hopes to increase the overpayment interest rate to eliminate this inequity.

**The IRS and FTB provide interest rate equality for personal income taxpayers.** The IRS and the FTB do not have disparate interest rates for non-corporate overpayments and underpayments. For corporate overpayments the IRS and the FTB have relatively small interest rate disparities of 1% and 4%, respectively.

**The BOE does not reward intentional overpayments.** In the tax, fee, and surcharge programs the BOE administers, current law specifies if BOE determines any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest.

**Enclosed is a copy of the staff analysis of AB 2429. If you have any questions or need additional information regarding this bill, please contact our Legislative Counsel, Michele Pielsticker, at (916) 322-2376.**

Sincerely,

Cynthia Bridges  
Executive Director

CB:ah  
Enclosure