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PRODUCT & SERVICE GUIDE

IRS Keeps Interest Rates Steady for 4th Quarter 2020

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points.

Sep. 03, 2020



IRS

Department of the Treasury
Internal Revenue Service

The Internal Revenue Service will keep interest rates that it uses for overpayments and underpayments the same for the calendar quarter beginning Oct. 1, 2020. The rates are:

- 3% for overpayments (2% in the case of a corporation);
- 0.5% for the portion of a corporate overpayment exceeding \$10,000;
- 3% percent for underpayments; and
- 5% percent for large corporate underpayments.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points.

Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3 percentage points and the overpayment rate is the federal short-term rate plus 2 percentage points. The rate for large corporate underpayments is the federal short-term rate plus 5 percentage points. The rate on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the federal short-term rate plus one-half (0.5) of a percentage point.

The interest rates are computed from the federal short-term rate determined during July 2020 to take effect Aug. 1, 2020, based on daily compounding.

[Revenue Ruling 2020-18](#), announcing the rates of interest, is attached and will appear in Internal Revenue Bulletin 2020-39, dated Sept. 21, 2020.

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