State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

MEMORANDUM

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

MJP

FROM: Alexa Lewis

DATE: October 31, 2013

SUBJECT: 2014 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, 2012 and ending September 30, 2013 was 3.25%. Rounded up to the nearest quarter percent, the annual rate for 2013 is 3.25%. When converted to a monthly rate, the result is 0.27% per month.

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 2014 of 0.3% per month for overpayments, and an annual rate of 3.6%**. The **2014 annual interest rate for underpayments is 5.6%, or 0.5% per month.**

These rates are effective beginning January 1, 2014 and apply to interest that accrues in calendar year 2014.

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