

INTEREST ON REFUNDS

The Employment Development Department (EDD) follows interest requirements set forth under Section 1181 of the California Unemployment Insurance Code (CUIC) and Section 19521 of the Revenue and Taxation Code (R&TC).

Interest is paid based on decisions of Administrative Law Judges and the California Unemployment Insurance Appeals Board. Interest may also be allowed under Section 1181 of the CUIC if an employer overpaid contributions because of reliance on an incorrect EDD notice, provided the overpayment was not made intentionally or by reason of negligence on the part of the employer.

The interest rate is based on the average prime rate as determined by the Board of Governors of the Federal Reserve System. The following information is provided to explain how EDD's semiannual interest rate is determined.

Section 19521 of the R&TC provides that the determination of the federal short-term rate as specified in Section 6621(b) of the Internal Revenue Code shall be modified to be determined semiannually as follows:

- (A) The rate for January shall apply during the following July through December, and
- (B) The rate for July shall apply during the following January through June.

The established interest rate applies to interest paid under Section 1181 of the CUIC on refunds and credits issued by EDD.

Section 1181 of the CUIC provides that if funds are available for the payment of interest, interest shall be allowed on amounts applied to **contributions only** from the date of overpayment to the date of allowance of the refund or credit.

Interest is not payable on that part of any payment that was **at one time** applied to penalties and interest, even though those amounts of penalties and interest are no longer due.

To obtain interest rates for the past five years, you may:

- Access EDD's Web site at www.edd.ca.gov/Payroll_Taxes/Interest_Rate.htm. The interest rates shown are applicable for interest payable to and by EDD.
- Call the Taxpayer Assistance Center at (888) 745-3886.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling (888) 745-3886 (voice) or TTY (800) 547-9565.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.