



News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

Interest Rates Increase for the Second Quarter of 2004

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WASHINGTON — The Internal Revenue Service today announced that interest rates will rise by one percentage point for the calendar quarter beginning April 1, 2004. The interest rates are as follows:

- C five (5) percent for overpayments [four (4) percent in the case of a corporation];
- C five (5) percent for underpayments;
- C seven (7) percent for large corporate underpayments; and
- C two and one-half (2.5) percent for the portion of a corporate overpayment exceeding \$10,000.

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 announced today are computed from the federal short-term rate based on daily compounding determined during January 2004.

Rev. Rul. 2004-26, announcing the new rates of interest, is attached and will appear in Internal Revenue Bulletin No. 2004-11, dated March 15, 2004.