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SC INFORMATION LETTER #89-36

TO: Vicki Jinnette
Public Information Officer

FROM: John Swearingen, Manager
Tax Policy and Procedures Department

DATE: November 20, 1989

SUBJECT: Interest Rate on Deferred Tax Liability Related to DISCs and Foreign Trade Receipts

REFERENCE: S.C. Code Ann. Section 12-7-780 & 790 (1988)
S.C. Code Ann. Section 12-7-415 (1988)

AUTHORITY: S.C. Code Section 12-3-140
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

Taxpayers are required to pay interest on deferred income tax liability related to foreign trade receipts and DISC's. The interest rate is the "base period T-bill rate" for the one year period ending on September 30 of the calendar year ending with (or the most recent calendar year ending before) the close of the tax year of the taxpayer.

The base period T-bill rate is set as follows:

	<u>Rate</u>	<u>Annual Rate, Compounded Daily, 365 Days</u>
September 30, 1985	8.79%	.09187
September 30, 1986	6.92%	.07164
September 30, 1987	6.49%	.06705
September 30, 1988	7.32%	.07572
September 30, 1989	8.75%	.09143

Generally, use the factor for 365 days which is the annual rate compounded daily. Use a different factor only if the taxpayer's taxable year is a short taxable year, if the taxpayer uses the 52-53 week taxable year, or if the taxpayers taxable year is a leap year.

The rates and tables are the same as determined under IRC Section 995 (f)(4) and can be found in the Internal Revenue Bulletins. The 1989 rate and table are found in Revenue Ruling 89-116, I.R.B. 1989-44, 21. The 1988 rate and table are found in Revenue Ruling 88-94, 1988-2 C.B. 419. The 1987 rate and table are found in Revenue Ruling 87-129, 1987-2 C.B. 196. The other rates and tables are in Revenue Ruling 86-132, 1986-2 C.B. 137.