

News Release



Controller of the State of California - Kathleen Connell

300 Capitol Mall, Suite 1850
Sacramento, California 95814

Contact: Lisa Casalegno, Stacey Ragland (916) 445-2636

For Immediate Release

STATE CONTROLLER KATHLEEN CONNELL PROPOSES CHANGES IN LAWS TO SAVE CALIFORNIA \$32.1 MILLION EACH YEAR

Proposal Would Adjust Interest Payments in Various Programs

Sacramento, CA, November 20, 2001—State Controller Kathleen Connell today announced a proposal that would save the State \$32.1 Million per year by adjusting the level of interest payments made for tax refunds and underpayments, unclaimed property and a variety of other payments made to individuals and agencies.

“Currently, the payment of interest is a patchwork of rates varying from 9% for Franchise Tax refunds to 3.79% for unclaimed property,” said Connell. “There is no reason for these vast differences, or for interest rates to be paid at these high levels.”

The Franchise Tax Board computes interest using the federal interest refund rate and tacks on another 3%. The Unclaimed Property interest rate is computed using the State’s Pooled Money Investment rate or 5%, whichever is lower. “Because the rates are computed at different times and use different formulas, interest rates can be artificially high at a time when market interest rates are low,” noted Connell.

Currently, the Board of Equalization uses the three-month Treasury Bill yield as the basis for computing interest on sales tax refunds. “These rates are more reflective of the rates paid for money on the open market, such as those for passbook savings and money market accounts. Therefore, I am recommending that the Legislature amend the various laws regarding interest calculations in a manner consistent with the methodology used by the Board of Equalization.”

Currently, the yield on a three-month Treasury Bill is 2.2%. If this rate continued into Fiscal Year 2002-2003, it is estimated that savings would be as follows:

Personal Income Tax	\$18.0 Million
Unclaimed Property	\$10.9 Million
Estate Tax	\$ 3.2 Million

**To arrange an interview with State Controller, Kathleen Connell,
please contact Lisa Casalegno at (916) 445-2636**

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