

Tax Insights | June 1, 2022
**Tracking Tax News,
You Need to Know**



IRS Announces Over/Underpayment Interest Rate Increase for Q3 2022

The IRS has [announced](#) that interest rates will increase for the calendar quarter beginning July 1, 2022 (Q3). The new rates will be: 5% for overpayments (4% in the case of a corporation); 2.5% for the portion of a corporate overpayment exceeding \$10,000; 5% for underpayments; 7% for large corporate underpayments. The rates for Q3 have increased 1% over the rates for Q2 2022. The Code requires the overpayment and underpayment interest rates to be determined on a quarterly basis. The rates for Q3 2022 are computed from the federal short-term rate determined during April 2022 and effective May 1, 2022.

Treasury Aims To Change Foreign Tax Credit Regs by Year-End

A Treasury official said that the U.S. Treasury Department seeks to issue changes regarding new regulations on foreign tax credits by the end of this year (see our prior coverage [here](#)). At a Tax Council Policy Institute conference, Jose Murillo, deputy assistant secretary for international tax affairs, said that in response to complaints about the new regulations, the changes will primarily deal with whether royalty withholding taxes will qualify for foreign tax credit and the rules' cost recovery requirement. Also, a new proposed rule dealing with the withholding tax issue is expected, Murillo said.

House Democrats Cautious on Tax Credit for Domestic Semiconductor Manufacturer

Some House Democrats expressed concerns about adding tax provisions to the so-called China competition bill aimed at increasing competitiveness with China ([H.R. 4521](#)). A bipartisan group of senators in the Senate Finance Committee wants to add a tax credit for the domestic fabrication of semiconductors. The tax credit would let companies fully deduct research and development costs in the year they occur, rather than writing off over five years. But some House Democrats fear that giving a tax credit to corporations will alienate the progressives in the party and will slow down the legislative process.



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