



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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THOMAS G. SHACK III, ESQ.
COMPTROLLER

To: Chief Fiscal Officers
From: Jeffrey Shapiro, First Deputy Comptroller
Date: July 17, 2018
Re: Late Penalty Interest Rate

Comptroller Memo FY#2019-05

Executive Summary

The purpose of this memo is to advise departments that the late penalty interest rate for July 1, 2018 – December 31, 2018 is 2.5% per annum (Daily Interest Rate = 0.0000685).

Under the provisions of [M.G.L. c.29, § 29C](#), the interest rates for calculating late payment interest to vendors in compliance with the Office of the Comptroller's regulations governing late penalty interest ([815 CMR 4.00](#)) are set January 1 and July 1 (published in [Fiscal Year Updates](#)) and are equal to the discount rates charged on these dates by the [Federal Reserve Bank](#).

The late penalty interest rate is applicable to invoices which are not paid by the Payment Due Date (which is normally 45 days after receipt of an invoice, unless the usual and customary time for payment is shorter or longer by statute or regulation.) Departments are expected to take all steps necessary to ensure that the Commonwealth's obligations are paid on a timely basis in accordance with the [Commonwealth's Bill Payment Policies](#).

The formula for computation of late payment interest requested by a vendor should be calculated as follows: **[Invoice Amount] * [Daily Interest Rate] * [# days from Payment Due Date to Warrant Date]**. For an invoice of \$2,500 due on July 1, 2018 that was not on the warrant for payment until August 10, 2018 (40 days past due) the calculation is as follows: **[\$2,500.00] * [0.0000685] * [40] = \$6.85 late payment interest due**. Payments should be made using the appropriate object code for late penalty interest (in the same object class as the original payment) in the [Expenditure Classification Handbook](#).

[Cumulative Table of Late Payment Interest Rates](#)
[815 CMR 4.00 Late Penalty Interest Calculator](#)

cc: MMARS Liaisons, Payroll Directors, General Counsels