PENALTY CALCULATION **8474.3**
(Revised 12/12)

Whenever a state department or the Controller determines a penalty is due, the rate for small businesses and nonprofits shall be a rate of 10 percent above the United States Prime Rate on June 30 of the prior year. The rate for all other businesses including grantees that provide victim services or prevention programs shall be one percent above the Pooled Money Investment Account (PMIA) daily rate on June 30 of the prior fiscal year, not to exceed 15 percent. The rate for refunds or other payments due to individuals is one percent below the PMIA daily rate on June 30 of the prior fiscal year. These rates change annually; therefore, the PMIA rate is communicated to state departments via a Budget Letter (BL). For the latest BL on late payment penalty rates, refer to the DOF website: http://www.dof.ca.gov/html/budlettr/budlets.htm.

The penalty will be calculated as follows:

Step 1 **Determine The Payment Due Date:** The payment due date is 45 calendar days after receipt of a properly submitted, undisputed invoice, unless otherwise specified in the contract or grant. In the case of refunds, the payment due date is 45 calendar days after notification of the refund to the payee or other payments due to individuals.

Step 2 **Amount Subject To Penalty:** The gross amount of the invoice less taxes, refund amount or other payments due amount subject to the penalty.

Step 3 **Penalty Amount Per Day:** Multiply the amount subject to penalty (as determined in Step 2) by the applicable daily penalty rate (based on the payment due date) as specified in the BL.

Step 4 **Number Of Days Penalized:** The number of calendar days between the payment due date (as determined in Step 1) and the date payment is issued.

Step 5 **Late Payment Penalty Amount:** Multiply the penalty amount per day (as determined in Step 3) by the number of days penalized (as determined in Step 4). The result is the late payment penalty amount due the claimant; except that penalty amounts of $10 or less shall not be paid to small businesses, nonprofit and refunds or other payments due to individuals. For all other businesses, penalty amounts of $100 or less shall not be paid.

See SAM Section 8474.3 Illustration 1 for samples of late payment penalty calculations.

When a late payment penalty is incurred, a completed Penalty Calculation Worksheet, STD. 208 must be attached to the related invoice submitted to the Controller. See SAM section 8474.3 Illustration 2.

Any invoice included in a claim schedule the Controller determines is subject to a claim correction shall be deemed to be improperly submitted and the state department shall be responsible for the penalty incurred on the invoice.

SAM - DISTRIBUTIONS

SAMPLE LATE PAYMENT PENALTIES CALCULATIONS

	Facts	Payment Due Date Set forth In Contract as defined in SAM 8474.4 (c)	Payment Due Date Not Set Forth In Contract
A	Date agency receives invoice or notice of refund or other payment due	3/1/xx	3/1/xx
B	Payment due date per contract */1*	4/1/xx	N/A
C	Payment issue date	4/6/xx	4/30/xx
S T E P	**Completing Penalty Calculation form (STD.208) - Part A**		
1	Required payment approval date */2* or notice of refund or other payment	4/1/xx	3/31/xx
2	Maximum time to issue payment */3* (45 calendar days)	N/A	4/15/xx
3	Amount subject to penalty (net of tax)	$30,000	$30,000
	Daily penalty rate */4*		
	• Small Business	0.000363	0.000363
	• Other Business	0.0000419	0.0000419
	• Refunds/Other payments due	N/A	0.0000335
4	Penalty per day (multiply amount by daily penalty rate as shown in Step 2)		
	• Small Business	10.89	10.89
	• Other Business	1.26	1.26
	• Refunds/Other payments due	N/A	1.01
5	Number of days penalized */5*	5	15
6	Penalty amount (multiply amount by the number of days as shown in Steps 3 and 4)		
	• Small Business	$10.89 x 5 = $54.45	$10.89 x 15 = $163.35
	• Other Business	$1.26 x 5 = $6.30 */6*	$1.26 x 15 = $18.90 */6*
	• Refunds/Other payments due	N/A	$1.01 x 15 = $15.15

STATE OF CALIFORNIA – DEPARTMENT OF FINANCE

PENALTY CALCULATION

STD. 208 (REV. 2/2011)

Prepare an original and two copies

STATE DEPARTMENT NAME			
CONTACT PERSON *(Print)*			TELEPHONE NUMBER
CONTRACTOR/VENDOR		DATE RECEIVED	PAYMENT ISSUE DATE
INVOICE NUMBER	INVOICE DATE	REFERENCE NUMBER(S)	CLAIM SCHEDULE NUMBER

PART A: PENALTY CALCULATION

STEP 1:
Payment Due Date ..... _____

STEP 2:
Amount Subject to Penalty *(Excluding Sales Tax)* ..... _____

Daily Penalty Rate ..... _____

STEP 3:
Penalty Amount Per Day *(Multiply Subject Amount by Daily Penalty Rate)* ..... _____

STEP 4:
Number of Days Penalized ..... _____

STEP 5:
Penalty Amount *(Multiply Penalty Amount per day by Step 4) Enter the result here* ..... $ _____

Enter the Penalty amount below when the penalty is:

Over $10.00 for all other businesses, refunds, or other payments; or
Over $100.00 for all other businesses

PART B: TOTAL PAYMENT

PENALTY AMOUNT – Enter on Remittance Advice ..... $ _____

Additional information to complete STD. 208 are in SAM Section 8474.3

DISTRIBUTION: ORIGINAL – STATE CONTROLLER SECOND – ACCOUNTING THIRD – OTHER