

## CLIENT ALERT

### Federal Circuit Compounds Contractors' Interest Problems

Mar.04.2011

Over the vigorous dissent by several judges, the Federal Circuit on March 1, 2011, denied a petition for *en banc* review of its decision in *Gates v. Raytheon*, 584 F.3d 1062 (Fed. Cir. 2009), which held that, because the Cost Accounting Standards (CAS) statute requires interest on cost impacts for CAS violations to be calculated at the rate established under 26 U.S.C. § 6621, the interest must be compounded in accordance with 26 U.S.C. § 6622, even though the CAS statute does not refer to or incorporate § 6622 by reference. As we reported on September 24, 2010, the same interest rate is referenced in the Truth in Negotiations Act (TINA), and a proposal is pending to amend the FAR to require compound, rather than simple, interest to be used in calculating damages for TINA violations.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.