

# **The U.S. Savings Bonds Owner's Manual**

**For I Bonds, Series EE Savings Bonds issued May 1997 and later,  
and Series HH Savings Bonds.**

Adapted from the online manual on the savings bonds website at  
[www.savingsbonds.gov](http://www.savingsbonds.gov).

Information valid as of June 2002.

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## **1. Introduction**

### **1.1. About this manual**

This manual explains the basics of owning I Bonds, Series EE Savings Bonds issued May 1997 and later, and Series HH Savings Bonds. It was adapted from the online manual on the savings bonds website at:

[www.savingsbonds.gov/mar/marsbomtoc.htm](http://www.savingsbonds.gov/mar/marsbomtoc.htm)

The online manual contains hyperlinks to additional information, publications and regulations. The URLs to those items are included in this printable version of the manual.

This manual does not attempt to be a complete reference for savings bonds. You will find additional information at the Internet addresses and in the publications cited in the text of this manual. The references include explanations of savings bond features, benefits and requirements, including the offering, terms and conditions of savings bonds found in the Code of Federal Regulations.

For information about other series of savings bonds and Series EE Savings Bonds issued before May 1997, see the appropriate sections of the savings bonds website at

[www.savingsbonds.gov](http://www.savingsbonds.gov)

### **1.2. A brief description of savings bonds**

Savings bonds are issued by the U.S. Treasury Department. They are non-marketable securities. This means you may not sell savings bonds to or buy them from anyone except an issuing and redeeming agent authorized by the Treasury Department. Savings bonds are registered securities, meaning that they are owned exclusively by the person or persons named on them.

I Bonds and Series EE Savings Bonds are accrual securities. They earn, that is, accrue, interest monthly at a variable rate and the interest is compounded semiannually. You receive your earnings when you redeem an I Bond or Series EE Savings Bond.

Series HH Savings Bonds are current income securities. You receive your earnings semiannually and you receive the face value of Series HH Savings Bonds when you redeem them.

## **2. General features of the I Bond and Series EE Savings Bond**

### **2.1. Overview of benefits**

*Attractive interest rates.* The I Bond tracks inflation to prevent your earnings from being eroded by a rising cost of living. The Series EE Savings Bond earns market-based rates, keyed to five-year Treasury securities. Both series offer rates that are comparable to the rates of similar savings tools.

*Tax advantages.* Savings bond earnings are exempt from all state and local income taxes. You can defer federal income taxes on earnings until the savings bonds either reach final maturity or until you redeem them. If you use savings bonds to pay for qualified higher education expenses, your earnings may be exempt from federal income taxes, too.

*Safety.* Savings bonds are backed by the full faith and credit of the United States. Your principal and earned interest are safe and cannot be lost because of changes in the market. Savings bonds are registered with the Treasury Department, so if yours are lost, stolen or destroyed, you may have them replaced at no cost to you.

*Affordability.* You can buy savings bonds for as little as \$25. Participants in the Payroll Savings Plan may buy them in even smaller installments. The Treasury Department never charges fees or service charges when you buy or redeem savings bonds. Because I Bonds and Series EE Savings Bonds come in eight denominations—\$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000 and \$10,000—you can tailor your purchases to meet your goals and needs.

*Accessibility.* After an initial holding period of six months from the issue date, the money you place in savings bonds is available whenever you want it. However, if you redeem a savings bond earlier than five years from the issue date, you pay an early redemption penalty equal to the last three months of earned interest.

*Convenience.* You can buy savings bonds in several ways. They are available online 24 hours a day from Savings Bonds Direct on the savings bonds website. You can buy them through the Payroll Savings Plan with an automatic allotment. If you do not have access to payroll savings, the Savings Bonds EasySaver Plan offers similar convenience by allowing automatic purchases with allotments from your checking or savings account. You can also buy savings bonds at 40,000 financial institutions nationwide.

### **2.2. Interest accrual and compounding**

Interest earned on I Bonds and Series EE Savings Bonds accrues monthly. This means that these savings bonds grow in value each month. The amount of this monthly growth is determined by the current interest rate and the total value of a savings bond. Each month's earnings are applied to a savings bond's value on the first day of the next month. For example, interest earned in January is applied on February 1.

Interest accrued by I Bonds and Series EE Savings Bonds is compounded every six months—on a savings bond's semiannual anniversaries. When interest compounds, the savings bond's value on that date is used to calculate monthly interest accruals for the next six months.

Savings bond semiannual anniversaries are simply the months in which a savings bond is issued and six months from that. For example, a savings bond issued in January will have January and July as its semiannual anniversaries.

Interest on Series HH Savings Bonds is paid every six months and it does not compound.

### **2.3. Tax exemption, deferral and reporting**

Savings bond earnings are exempt from state and local income taxes.

You may defer payment of federal income taxes until an accrual-type savings bond (I Bonds, Series EE Savings Bonds) reaches final maturity—30 years from the issue date—or until you redeem it, whichever comes first. The Internal Revenue Service requires that you report accrual-type savings bond earnings for federal income tax purposes no later than the year in which a savings bond reaches final maturity, even if you do not redeem it.

You may also elect to report your savings bonds earnings to the Internal Revenue Service and pay applicable federal income taxes annually. This is the only reporting method available for Series HH Savings Bonds.

### **2.4. Restrictions on redemption**

You may not redeem a savings bond until six months after its issue date. For example, a savings bond with an issue date in January may be redeemed beginning in July. Under extreme conditions, such as a widespread natural disaster, the Treasury Department may waive this holding period to assist people in a crisis.

After the six-month holding period, you may redeem your savings bonds at any time. However, if you redeem I Bonds or Series EE Savings Bonds earlier than five years from the issue date, you pay an early redemption penalty equal to the last three months of earned interest.

### **2.5. Maturity Periods**

I Bonds earn interest until they reach final maturity at 30 years from the issue date. At that time, they stop earning interest and you should redeem them. You must report your

earnings for federal income tax purposes in the year in which your I Bonds reach final maturity.

Series EE Savings Bonds will double in value to reach face value no later than 17 years from the issue date. This 17-year point is called original maturity. At that time, if the savings bond has not grown to face value, the Treasury Department makes a one-time adjustment to bring it to face value. The Series EE Savings Bond will then continue to earn interest, growing greater than face value—depending on market rates—until it reaches final maturity at 30 years from the issue date. At that time, the savings bond stops earning interest and you may choose one of two ways to proceed.

You may redeem your Series EE Savings Bonds and report your earnings for federal income tax purposes in the year in which they reach final maturity. Alternatively, you may exchange your Series EE Savings Bonds for Series HH Savings Bonds and defer federal income tax reporting for up to an additional 20 years. For more information on this process, see section 6.2., "The Series EE Savings Bond."

You may redeem savings bonds before their final maturity dates. See section 5.4., "When you can redeem."

## **2.6. The Education Tax Exclusion (Education Savings Bond Program)**

Your earnings from I Bonds and Series EE Savings Bonds may be excluded from federal income tax if you pay for qualified higher education expenses in the year in which you redeem the savings bonds. Generally, tuition and fees at an educational institution or program that receives federal tuition assistance qualify. Your household income in the year of redemption must meet guidelines for you to use the exclusion. Other restrictions apply.

For more information on income guidelines and other requirements, see "Savings Bonds for Education" at:

<http://www.savingsbonds.gov/sav/saveduca.htm>

and the "FAQs - Education and Savings Bonds" (FAQs are "frequently asked questions."):

<http://www.savingsbonds.gov/sav/savedfaq.htm>.

## 2.7. Comparison of the I Bond and Series EE Savings Bond

I Bonds and Series EE Savings Bonds have many features in common. They also have some important differences as outlined in the table below. For more information about these series, see section 6.1., "The I Bond," and section 6.2., "The Series EE Savings Bond."

	<b>Series EE Savings Bond</b>	<b>I Bond</b>
<b>Features</b>	Issued at 50% of face value. (A \$100 EE Bond costs \$50.)	Issued at face value. (A \$100 I Bond costs \$100.)
	Offered in 8 denominations (\$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000).	Offered in 8 denominations (\$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000).
	\$15,000 issue price (\$30,000 face value) annual purchase limit per person.	\$30,000 annual purchase limit per Social Security Number.
<b>Interest</b>	Calculated as 90% of 6-month averages of 5-year Treasury Securities yields.	Calculated as an earning of a fixed rate of return and a semiannual inflation rate based on CPI-U.
	Rates announced every May 1 and November 1.	Rate Announcement: Same as EE.
	Guaranteed to reach face value in 17 years.	No guaranteed level of earnings.
	Increases in value monthly and compound semiannually. Interest is paid when the bond is redeemed.	Generally increases in value monthly and interest compounds semiannually (except in periods of deflation when the bond value could remain unchanged). Interest is paid when the bond is redeemed.
	Earn interest for up to 30 years.	Life span: Same as EE.
<b>Exchange</b>	Can be exchanged for Series HH savings bonds.	Cannot be exchanged for any other series of savings bonds.
<b>Cashing</b>	Can be redeemed after first 6 months.	Same as EE.
	A 3-month interest penalty applies to bonds redeemed during the first 5 years.	Same as EE.
	Financial institution reports interest earnings (difference between redemption value and purchase price) on IRS form 1099-INT. Savings bonds are exempt from state and local income taxes.	Same as EE.
	Eligible for tax benefits upon redemption when used for qualified education expenses.	Same as EE.

### **3. Buying I Bonds and Series EE Savings Bonds**

#### **3.1. Where to buy**

You can buy savings bonds directly from the Treasury Department's online store, Savings Bonds Direct, using a Discover, MasterCard, Visa or American Express credit card at:

<http://www.savingsbonds.gov/ols/olshome.htm>

Another convenient way to buy savings bonds is through the Payroll Savings Plan offered by your employer with regular deductions from your pay. For more information on payroll savings, see the "Buying Savings Bonds through Payroll Savings" FAQ at:

<http://www.savingsbonds.gov/mar/marfaqpr.htm>

If your employer does not offer payroll savings, does not offer the series you want to buy or if you are self-employed, the Savings Bonds EasySaver Plan provides another convenient, safe way to buy savings bonds. Through this plan, you or your employees can set up automatic allotments from checking or savings accounts. With EasySaver, you can set up both recurring purchases and separate annual gift purchases for special occasions such as anniversaries, birthdays and holidays. You can designate the ownership and delivery information on each savings bond separately if you want. For more information, see the EasySaver website at:

<http://www.savingsbonds.gov/mar/maressav.htm>.

You can buy savings bonds at any of the approximately 40,000 financial institutions authorized as issuing and paying agents by the Treasury Department. You just fill out a purchase order and make the appropriate payment. The financial institution will process the paperwork and you should receive your savings bond by mail within 14 business days.

#### **3.2. Requirements for buying**

If you belong in one of the following categories, you may buy savings bonds:

- residents of the United States, its territories and possessions, or the Commonwealth of Puerto Rico, U.S. citizens residing abroad
  
- civilian employees of the United States and members of its armed forces who have Social Security Numbers
  
- residents of Canada or Mexico who work in the United States, have Social Security Numbers and whose employers offer the Payroll Savings Plan

A non-citizen living outside the US may be named as a coowner or beneficiary as long as he or she does not live in an area restricted by the Treasury Department. Restricted areas are defined in Treasury Circular No. 655 (31 CFR Part 211.1):

**Sec. 211.1 Withholding delivery of checks.**

(a) It is hereby determined that postal, transportation or banking facilities in general or local conditions in the Republic of Cuba, Democratic Kampuchea, and the Democratic People's Republic of Korea (North Korea) are such that there is not a reasonable assurance that a payee in those areas will actually receive checks or warrants drawn against funds of the United States, or agencies or instrumentalities thereof, and be able to negotiate the same for full value.

(b) A check or warrant intended for delivery in any of the areas named in paragraph (a) of this section shall be withheld unless the check or warrant is specifically released by the Secretary of the Treasury.

To see the entire regulation, visit:

<http://www.access.gpo.gov>

### 3.3. Purchase limits

You may buy up to \$30,000 of I Bonds in your own name each calendar year.

You may buy up to \$15,000 (\$30,000 face value) of Series EE Savings Bonds in your own name each calendar year.

There is no purchase limit for Series HH Savings Bonds.

Purchases of one series do not count against your limit for the other series. Savings bonds you buy as gifts or prizes for someone else do not count against your annual purchase limits.

### 3.4. Registration options

There are three ways to register savings bonds: Single ownership, coownership and beneficiary. Here are sample inscriptions for each of the three options -

<b>Single ownership</b>	<b>Coownership</b>	<b>Beneficiary</b>
123-45-6789 Mary Doe	123-45-6789 Mary Doe or John Doe	123-45-6789 Mary Doe Payable on death to (P.O.D.) John Doe

For more information, visit "FAQ - Savings Bond Registration" at:

<http://www.savingsbonds.gov/sav/sbregistr.htm>.

### 3.5. Savings bonds as gifts and prizes

In addition to buying savings bonds for yourself, you can buy savings bonds as gifts for others. You may also buy savings bonds as prizes and awards.

Savings bonds can be used as a gift for any occasion—birthdays, weddings, graduations, births, or special holidays. Savings bonds come in several different denominations and so fit a broad range of gift needs.

When you buy a savings bond as a gift, you should use the recipient's name in the registration. If you know the recipient's Social Security Number (SSN), use it in the registration. If not, use your own. The SSN is used for tracking purposes only, such as in

cases of lost, stolen or destroyed savings bonds. Using your SSN doesn't indicate ownership or cause you to incur any tax liability. The recipient will be asked to provide his or her SSN at the time of redemption to establish tax liability. However, it's best to use the recipient's SSN to make it easier for him or her to have the savings bond replaced if it's lost, stolen or destroyed. If the recipient doesn't record the savings bond's serial number and can't get your SSN from you, he or she may have difficulty replacing the savings bond.

For more information, visit "I Bonds for gifts" at:

<http://www.savingsbonds.gov/sav/sbigift.htm>

see "Savings Bonds for gifts" for Series EE Savings Bonds at:

<http://www.savingsbonds.gov/sav/savgifts.htm>

and the Gift Savings Bonds section of the "FAQ - Savings Bond Registration" at:

<http://www.savingsbonds.gov/sav/sbregistr3.htm#gift>

## **4. Owning savings bonds**

### **4.1. Maintenance**

Maintaining your savings bond holdings is very easy. Once you have bought a savings bond you do not have to do anything except let it grow and remember its final maturity date—30 years from issue.

You can use the Savings Bond Calculator at:

<http://www.savingsbonds.gov/sav/savcalc.htm>

or the Savings Bond Wizard at:

<http://www.savingsbonds.gov/sav/savwizar.htm>

to create an inventory and keep track of the value of your savings bonds.

### **4.2. Reissuing (re-registering) savings bonds**

You may have reasons to make changes to the registration information on a savings bond without redeeming it. To do this, you must request a reissue of your savings bond by the Treasury Department or the Federal Reserve Bank. Your savings bond will be reissued

for only a limited number of reasons. The rules are different for the I Bond, Series EE Savings Bonds and Series HH Savings Bonds.

Some authorized reasons for reissue include adding, removing or changing a coowner or beneficiary, name or ownership changes resulting from a divorce or death, and placing savings bonds in a personal trust.

Savings bonds are not reissued to correct minor errors in spelling, to change a name because of marriage or to change an address.

In some cases—for example, if a first-named coowner is removed—the reissue of a savings bond may result in a reportable tax event. This means that the person whose name is removed must report for tax purposes all interest earned up to the date of the reissue. Interest earned from that date forward would be taxable when the savings bond reaches final maturity or when the new owner redeems it.

For more information, see "FAQ - Savings Bond Registration" at:

<http://www.savingsbonds.gov/sav/sbregistr3.htm#changing>

"Reissuing I Bonds" at:

<http://www.savingsbonds.gov/sav/sbireiss.htm>

and "Reissuing E/EE Savings Bonds" at:

<http://www.savingsbonds.gov/sav/savreiss.htm>

A complete list of authorized reasons for reissue is found in 31 CFR 360.47 for the I Bond and in 31 CFR 353.47 for Series EE Savings Bonds and Series HH Savings Bonds. Both are available from the Government Printing Office website at:

<http://www.access.gpo.gov>

### **4.3. Lost, stolen or destroyed savings bonds**

If your savings bonds are lost, stolen or destroyed, you can easily have them replaced at no charge to you.

The Treasury Department will replace them free of charge as long as it can establish that they have not been redeemed by anyone authorized to do so. To ensure that your savings bonds can be easily replaced, you should keep a record of their serial numbers, issue dates, registration information and the Social Security Number that appears on them. Put the record in a safe place, separate from the savings bonds.

The Savings Bond Calculator at:

<http://www.savingsbonds.gov/sav/savcalc.htm>

and the Savings Bonds Wizard at:

<http://www.savingsbonds.gov/sav/savwizar.htm>

are easy and efficient ways to automate this record keeping.

To have your lost, stolen or destroyed savings bond replaced, complete Form PD F 1048 and mail it to the savings bond office. You may order or download this form from:

<http://www.savingsbonds.gov/sav/savforms.htm>

or by sending a request to:

Savings Bonds  
Parkersburg WV 26106-1328

For more information, see "Lost, Stolen or Destroyed Bonds" at:

<http://www.savingsbonds.gov/sav/savlost.htm>

This information is the same for all series.

If your savings bonds are lost or destroyed in a designated disaster area, the Treasury Department will expedite their replacement. For details, see "Cashing/Replacing Savings Bonds in Areas Affected by Disaster" at:

<http://www.savingsbonds.gov/sav/savdisas.htm>

Press releases announcing this special disaster aid are posted on the Bureau of the Public Debt's News Room web page at:

<http://www.savingsbonds.gov/bpd/bpdpress.htm>

Your financial institution and the Federal Reserve Bank will also have information on this procedure.

#### **4.4. Ownership not transferable**

Because savings bonds are non-marketable securities, their ownership is not transferable. This means you may not sell savings bonds to or buy them from anyone except an issuing and redeeming agent as authorized by the Treasury Department. Until you redeem your savings bond or are removed from ownership as a result of an authorized reissue, you remain the registered owner.

#### **4.5. Chain letters, pyramid schemes and collateral**

Savings bonds may not be used as part of any chain letter or pyramid scheme. If you are approached to participate in a chain letter involving savings bonds, ignore the request.

Savings bonds may not legally be used as collateral for a loan or as security for the performance of an obligation.

#### **4.6. When a savings bond owner dies**

Several different things can happen when a savings bond owner dies, depending on the form of registration. A surviving coowner or beneficiary—or in their absence the estate of the last surviving person named on the savings bond—becomes the sole owner of the savings bond. This change of ownership is not a taxable event. However, the estate has the option of paying income taxes on interest earned to date.

For details, see "I Bond Owner(s) Deceased" at:

<http://www.savingsbonds.gov/sav/sbidies.htm>

"What To Do When a Savings Bond Owner Has Died" for Series E and EE at:

<http://www.savingsbonds.gov/sav/savdies.htm>

and "Death of a Savings Bond Owner" for Series H and HH at:

<http://www.savingsbonds.gov/sav/sbhdeces.htm>

## **5. Redeeming savings bonds**

### **5.1. Who can redeem**

You can redeem savings bonds on which your name appears as sole owner or as a coowner.

You can redeem savings bonds on which you are named as a beneficiary by presenting proper identification and a certified copy of the owner's death certificate.

You can redeem savings bonds owned by a child for whom you have legal custody if the child is too young to understand the transaction and sign the savings bond.

You can redeem savings bonds if you are the executor, administrator, trustee, custodian or have a similar fiduciary relationship with the owner of the savings bonds.

### **5.2. Where to redeem**

You can redeem savings bonds in about 40,000 financial institutions nationwide that the Treasury Department has authorized as paying agents. You can redeem any amount of I Bond and Series EE Savings Bonds at an institution where you have had an account in good standing for at least six months or are personally known by the financial institution's staff.

Generally, other financial institutions may redeem no more than \$1,000 in savings bonds for non-customers. In cases such as this, you may ask the institution to certify your signature and either forward your savings bonds to a Federal Reserve Bank or to give you the address so that you may mail them yourself. The Federal Reserve Bank will mail you a check for the redemption value of the savings bonds.

See also, "Cashing I Bonds" at:

<http://www.savingsbonds.gov/sav/sbicash.htm>

and "Redeeming Series EE/E Savings Bonds for Cash" at

<http://www.savingsbonds.gov/sav/savee4.htm>

You must send Series HH Savings Bonds to your servicing Federal Reserve Bank to redeem them. For the address of the Federal Reserve Bank that services your area, visit:

<http://www.savingsbonds.gov/sav/savfrb.htm>

Your financial institution can help you by providing addresses or forwarding the savings bonds, certifying your signature and answering questions. For more information, see "Cashing Series HH/H Bonds" at:

<http://www.savingsbonds.gov/sav/sbhcash.htm>

### **5.3. How to redeem**

To redeem I Bonds and Series EE Savings Bonds, simply take your savings bonds into your financial institution with proper identification. A customer service representative will verify your identification, take your Social Security Number for tax reporting purposes and walk you through the process of redeeming your savings bonds.

To redeem Series HH Savings Bonds, take your savings bonds to your financial institution. A customer service representative will verify your identification, certify your signature on the savings bonds and take your Social Security Number. The representative will either provide you with the address of your servicing Federal Reserve Bank or offer to send your savings bonds to the FRB for you.

### **5.4. When you can redeem**

You must hold your savings bonds for six months from the purchase date before you can redeem them. For example, a savings bond with an issue date in January may be redeemed starting in the following July.

The only exception to the six-month holding period is for people who are in disaster areas designated for special consideration by the Treasury Department. In these cases, press releases announcing a special disaster waiver are posted on the Bureau of the Public Debt's News Room web page:

<http://www.savingsbonds.gov/bpd/bpdpress.htm>

Also see "Cashing/Replacing Bonds in Areas Affected by Disaster" at:

<http://www.savingsbonds.gov/sav/savdisas.htm>

After the six-month holding period, you may redeem your savings bonds at any time you like. However, if you redeem I Bonds or Series EE Savings Bonds earlier than five years from the purchase date, you pay an early redemption penalty equal to the last three months of earned interest.

Series EE Savings Bonds are sold at half face value. The Treasury Department guarantees that they will grow to reach face value by 17 years from the issue date. This is referred to as the original maturity date. If market conditions do not allow this, the Treasury

Department will make a one-time adjustment to bring your Series EE Savings Bonds up to face value. They will then continue earning interest at market-based rates until they reach final maturity—30 years from the issue date. This is a feature to consider as you decide when to redeem your Series EE Savings Bonds.

### **5.5. When you should redeem**

The date at which savings bonds stop earning interest is called final maturity. I Bonds and Series EE Savings Bonds stop earning interest at 30 years from the issue date. Series HH Savings Bonds stop earning interest at 20 years from the issue date.

You must redeem I Bonds no later than the year in which they reach final maturity. Interest earnings are reportable for federal income taxes in that year.

You have two options when Series EE Savings Bonds reach final maturity. You can either redeem them and report your earnings for federal income taxes, or you can exchange for Series HH Savings Bonds and have the federal income tax on your earnings deferred for up to an additional 20 years while they earn interest at the Series HH rate.

For more information on exchanging Series EE for Series HH, see section 6.3., "The Series HH Savings Bond" and "Exchanging Series EE/E Bonds for Series HH Bonds" at:

<http://www.savingsbonds.gov/sav/savee2hh.htm> on the savings bonds website.

When Series HH Savings Bonds reach final maturity, you may either redeem them or exchange them for new Series HH Savings Bonds.

For a chart of final maturity dates for all series of savings bonds and savings notes, see "Have Your Savings Bonds Stopped Earning Interest?" at:

<http://www.savingsbonds.gov/sav/savstop.htm>

## 5.6. How redeeming affects your taxes

Savings bonds are exempt from state and local income taxes, but savings bonds are subject to federal income taxes, estate, inheritance, gift, or other excise taxes, both federal and state.

You can report your income from I Bonds and Series EE Savings Bonds for federal income tax purposes in two ways: deferred reporting and annual reporting.

You can defer reporting and paying taxes on your earnings until the year in which you actually redeem your I Bonds and Series EE Savings Bonds. To choose this method, simply do nothing until the year in which you redeem your savings bonds or they reach final maturity. When you redeem your savings bonds, you will receive an IRS Form 1099-INT that shows the interest earned for the entire life of your savings bonds. Include your reportable interest earnings in your taxable income on your federal income tax return for the tax year in which you redeem your savings bonds.

Alternatively, you can report earnings on an annual basis by including savings bond interest as taxable income on your tax return each year even if you do not redeem your savings bonds. If you choose this method of reporting you must use it for all of your savings bonds. You should keep records if you choose to report your earnings annually. You can use the Savings Bond Calculator, the Savings Bond Wizard or download PD Form 3501, Comparison of Redemption Values, to calculate your earnings for annual reporting.

When you redeem your savings bonds after using the annual reporting method, you will receive an IRS Form 1099-INT that shows all of the interest earned since your savings bonds were issued. On your income tax return, you must show total interest, previously reported interest and interest you are reporting as taxable income for the year in which you redeem your savings bonds. See IRS Publication 550, "Investment Income and Expenses" ([www.irs.gov](http://www.irs.gov)) for details on how to do this.

Annual reporting may be advantageous, for example, for children whose total income is lower than it is likely to be when they redeem their savings bonds. Simply file a tax return in the child's name, including all interest the child's savings bonds have earned to date even if no tax is due, to declare intent to report savings bond interest annually; keep a copy of this return. File returns for later years only if the child's annual income reaches a taxable level. For more information on this method of reporting, see "FAQ - Education and Savings Bonds - Answers," section 2.6.

If you want to change your method of reporting savings bond interest from the second to the first method (outlined above), you can do so by filing IRS Form 3115 ([www.irs.gov](http://www.irs.gov)) with the IRS and following the procedures in the savings bonds section in IRS Publication 550, "Investment Income and Expenses."

Also see "I Bond Tax Reporting" at:

<http://www.savingsbonds.gov/sav/sbitxrep.htm>

and "Tax Reporting for Series EE/E Savings Bonds" at:

<http://www.savingsbonds.gov/sav/savintax.htm>

## **6. Information about the individual series**

### **6.1. The I Bond**

(Also see section 2., "General Features of the I Bond and Series EE Savings Bond.")

The I Bond is an inflation-indexed accrual security issued by the Treasury Department. You buy I Bonds for full face value. For example, you pay \$50 for a \$50 I Bond.

I Bonds accumulate interest monthly. Interest is compounded every six months on the semiannual anniversary of an I Bond's issue date. The issue date is the month and year in which the Treasury Department or an authorized agent receives your purchase order and payment for an I Bond.

The I Bond interest rate is composed of two parts: a fixed base rate and an inflation adjustment. The fixed rate remains the same for the life of an I Bond. The inflation adjustment is updated every six months to track the inflation rate as computed using the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics. This protects your earnings from inflation.

The total return on your I Bonds is updated every six months. For example, if you buy an I Bond in January it will earn the composite rate in effect at that time. Your I Bond will earn that rate for six months, until the following July. In July, your I Bond earnings will be a composite of the fixed rate in effect when you bought it and the inflation adjustment announced the previous May. The same thing will happen the following January with the inflation adjustment announced the previous November.

Every May 1 and November 1, the Treasury Department announces the fixed rate that will be in effect for all I Bonds issued during the next six months. The Treasury Department also announces the inflation rate that will be in effect for all I Bonds when they enter a new semiannual interest period during the next six months.

The formula used to determine the I Bond composite rate is:

Composite rate = {Inflation rate + (Fixed rate / 2) + [Inflation rate x (Fixed rate / 2)]} x 2

For more information, see "I Bond Interest Rates" at:

<http://www.savingsbonds.gov/sav/sbirate2.htm>

I Bonds come in eight denominations, \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. For images of the I Bonds, see the savings bonds reproduction page at:

<http://www.savingsbonds.gov/mar/marart.htm#imageagree>

For more information about I Bonds, see the I Bond Information Statement at:

<http://www.savingsbonds.gov/sav/sbiinfo.htm>

See also "For I Bond Investors" at:

<http://www.savingsbonds.gov/sav/sbiinvst.htm>

and "Frequently Asked Questions about I Bonds" at:

<http://www.savingsbonds.gov/sav/sbifaq.htm>

## **6.2. The Series EE Savings Bond**

(Also see section 2. General Features of the I Bond and Series EE Savings Bond.)

The information in this section of the manual applies to Series EE Savings Bonds with issue dates of May 1997 and later. For information about Series EE Savings Bonds issued before that date and about Series E Savings Bonds, see "For Series EE/E Savings Bond Investors" at:

<http://www.savingsbonds.gov/sav/savinvt.htm>

The Series EE Savings Bond is an accrual security issued by the Treasury Department. You buy Series EE Savings Bonds at one-half face value. For example, you pay \$25 for a \$50 Series EE Savings Bond.

Series EE Savings Bonds accumulate interest monthly. Interest is compounded on the semiannual anniversary of a Series EE Savings Bond's issue date. The issue date is the month and year in which the Treasury Department or an authorized agent receives your purchase order and payment for a Series EE Savings Bond.

Series EE Savings Bonds earn 90% of the average yields on five-year Treasury securities for the six months preceding the announcement of new rates. The Treasury Department announces new rates each May and November. The interest earned by your Series EE Savings Bonds is updated every six months as a result.

For example, if you buy a Series EE Savings Bond in January, you will earn the rate in effect at that time, which was announced the previous November. Your Series EE Savings Bond will earn that rate for six months, until the following July, when it will start earning the new rate announced in May. The same thing will happen the following January with the rate announced in November.

Every May 1 and November 1, the Treasury Department announces the interest rate that will be in effect for all Series EE Savings Bonds issued during the next six months.

For more information, see "Series EE Savings Bonds Bought May 1997 and After" at:

<http://www.savingsbonds.gov/sav/sav597ee.htm>

Series EE Savings Bonds come in eight denominations, \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. For images of Series EE Savings Bonds, see the savings bonds reproduction page at:

<http://www.savingsbonds.gov/mar/marart.htm#imageagree>

Series EE Savings Bonds may be exchanged for Series HH Savings Bonds. You can do this anytime after the initial six-month holding period but you must make the exchange within one year of your Series EE Savings Bonds reaching final maturity—30 years from the date of issue. When you do this, you can receive a steady source of income, paid semiannually. You also defer tax reporting of the interest earned on your Series EE Savings Bonds for up to an additional 20 years—final maturity for Series HH Savings Bonds.

To exchange your Series EE Savings Bonds for Series HH Savings Bonds you must forward them to a servicing Federal Reserve Bank. Your financial institution may help you with the exchange by determining the value of your savings bonds, assisting with the exchange application and forwarding it to a Federal Reserve Bank.

If you want to send your exchange transaction directly to a Federal Reserve Bank, you must complete and sign the request for payment on the back of each savings bond you are exchanging. You must do this in the presence of an officer of a financial institution authorized to certify signatures. You must also complete and sign the "Exchange Application for U.S. Savings Bonds of Series HH," form PD F 3253, and send it to a Federal Reserve Bank along with the savings bonds and any other information that may be required. You can download this form from:

<http://www.savingsbonds.gov/sav/savforms.htm>

For more information on exchanging Series EE Savings Bonds for Series HH Savings Bonds, see "Exchanging Series EE/E Savings Bonds for Series HH Savings Bonds" at:

<http://www.savingsbonds.gov/sav/savee2hh.htm>

and "Exchanging EE/E Savings Bonds and Savings Notes for HH Savings Bonds" at

<http://www.savingsbonds.gov/sav/sbhexchg.htm>

For more about Series HH Savings Bonds, see section 6.3., "The Series HH Savings Bond," below.

For more information about Series EE Savings Bonds, see the Series EE Savings Bond Information Statement at:

<http://www.savingsbonds.gov/sav/savee2hh.htm>

and "For Series EE/E Savings Bond Investors" at:

<http://www.savingsbonds.gov/sav/savinvt.htm>

### **6.3. The Series HH Savings Bond**

The Series HH Savings Bond is a current income security issued by the Treasury Department. You buy Series HH Savings Bonds for full face value. For example, you pay \$500 for a \$500 Series HH Savings Bond.

Unlike I Bonds and Series EE Savings Bonds, the Series HH Savings Bond itself does not increase in value. Instead, every six months you receive an interest payment by direct deposit to your checking or savings account. When you redeem your Series HH Savings Bonds, you receive only their face value. For more on redeeming Series HH Savings Bonds, see "Cashing Series HH/H Savings Bonds" at:

<http://www.savingsbonds.gov/sav/sbhcash.htm>

You cannot buy Series HH Savings Bonds for cash. You can get them only in exchange for eligible Series E Savings Bonds, Series EE Savings Bonds and savings notes, or upon reinvestment of the proceeds of matured Series H Savings Bonds. A minimum of \$500 redemption value in eligible savings bonds is required in order to make an exchange. There is no limit on the amount of Series HH Savings Bonds you can acquire in a calendar year.

If the value of the securities you are exchanging is not an exact multiple of \$500, you may make up the difference with other funds. For example, if you are exchanging Series

EE Savings Bonds valued at \$900, you may add \$100 in cash to buy a \$1,000 Series HH Savings Bond or you may buy a \$500 Series HH Savings Bond and receive the remaining \$400. The money you receive may be subject to federal income tax reporting.

The interest rate on Series HH Savings Bonds is set when you buy them and at 10 years from the issue date.

Series HH Savings Bonds reach final maturity and stop earning interest 20 years from their issue date. Any interest from other savings bonds that you exchanged to buy your Series HH Savings Bonds must be included as taxable income on your federal income tax return for the year in which your Series HH Savings Bonds reach final maturity. You may either redeem your Series HH Savings Bonds or exchange them for new Series HH Savings Bonds.

Series HH Savings Bonds come in four denominations: \$500, \$1,000, \$5,000, and \$10,000.

For more information about Series HH Savings Bonds, see "For HH/H Savings Bond Investors" at:

<http://www.savingsbonds.gov/sav/sbhinvst.htm>

and "Frequently Asked Questions about Series HH/H Savings Bonds" at:

<http://www.savingsbonds.gov/sav/sbhfaq.htm>

## **7. Customer support services**

### **7.1. Online**

The savings bonds website at:

[www.savingsbonds.gov](http://www.savingsbonds.gov)

has everything you need to know about managing your savings bonds portfolio. It includes detailed information on rates, maturity, redemption and other aspects of savings bond ownership.

The Savings Bond Calculator at:

<http://www.savingsbonds.gov/sav/savcalc.htm>

is an online program with which you can figure the current value of your accrual savings bonds, their final maturity dates and other important information. You can build an inventory of your savings bonds, including serial number, issue date and value. You can

save this inventory on your computer for future updates and as a record in case your savings bonds are lost, stolen or destroyed. The Savings Bond Calculator is designed to work with most popular operating systems and Internet browser software.

The Savings Bond Wizard at:

<http://www.savingsbonds.gov/sav/savwizar.htm>

performs many of the same functions as the Savings Bond Calculator. However, it is a program that you install on your computer and requires the Microsoft Windows operating system. You can download it for free and receive regular savings bond value file updates from the Treasury Department.

There are several online tools to help you plan your savings bond purchases. The Growth Calculator at:

<http://www.savingsbonds.gov/servlet/SBCGrw>

allows you to estimate how your savings will grow at different rates and for different time periods.

The Savings Planner at:

<http://www.savingsbonds.gov/servlet/SBCPln>

lets you find out how much and how often you would need to save to reach a defined financial goal.

The Tax Advantages Calculator at:

<http://www.savingsbonds.gov/servlet/SBCTax>

shows how savings bond earnings grow compared to fully taxed savings tools.

Savings bonds forms are available for ordering and downloading from:

<http://www.savingsbonds.gov/sav/savforms.htm>

Downloadable redemption tables allow you to look up and calculate the value of your savings bonds.

The Savings Bond Earnings Reports at:

<http://www.savingsbonds.gov/sav/savrepor.htm>

show savings bond redemption values, current six-month earnings as an annual yield, and yield from issue date for \$100 I Bonds and Series EE Savings Bonds. You can calculate earnings for other denominations using these values.

A comprehensive set of Frequently Asked Questions provides answers on most savings bonds topics at:

<http://www.savingsbonds.gov/sav/savfaq.htm>

## **7.2. Other**

The Treasury Department offers several other ways to get more information about savings bonds. See the contacts page in section 8 below.

Many financial institutions that are authorized to redeem savings bonds use the Circular 888 stamp. Its name comes from the publication establishing its use, Treasury Department Circular, No. 888. This allows a customer service agent to verify your identity and after you sign the redemption request on one bond, the agent then stamps each of the savings bonds you are redeeming instead of requiring you to sign each one. This saves time when you redeem several savings bonds at once.

If you are a member of the active duty military and are buying savings bonds through payroll savings, you can take advantage of the Department of Defense Military Safekeeping offices. You can have your service hold your savings bonds for you. This gives you one less concern during permanent changes of station and deployments.

## **8. Contacts and resources**

### **8.1 Contacts**

For additional information and help:

Visit the savings bond website at [www.savingsbonds.gov](http://www.savingsbonds.gov)

Send questions by email to [savbonds@bpd.treas.gov](mailto:savbonds@bpd.treas.gov)

Call 1-800-4US-SAVINGS BOND (487-2663) for toll-free recorded information

Call 1-877-811-SAVE (7283) for toll-free information about the Savings Bonds EasySaver Plan

Call 304-480-6112 (a toll call) to talk to a customer service representative about general savings bond questions

Write: Savings Bonds, Parkersburg WV 26106-1328 with questions and comments

To contact the Federal Reserve Bank that services your area, visit our locator page at:

<http://www.savingsbonds.gov/sav/savfrb.htm>

To order Government publications from the United States Government Printing Office:

Visit the GPO website  
[www.access.gpo.gov](http://www.access.gpo.gov)

Phone toll free  
866-512-1800 (DC area: 202-512-1800)

Fax  
202-512-2250

Mail orders to  
Superintendent of Documents  
P.O. Box 371954  
Pittsburgh, PA 15250-7954,

## **8.2. Resources**

The savings bond website:

<http://www.savingsbonds.gov>

Frequently asked questions:

<http://www.savingsbonds.gov/sav/savfaq.htm>

Glossary of Savings Bond Terms:

<http://www.savingsbonds.gov/sav/savgloss.htm>

The I Bond pages on the savings bonds website:

<http://www.savingsbonds.gov/sav/sbiinvst.htm>

The I Bond Information Statement:

<http://www.savingsbonds.gov/sav/sbiinfo.htm>

Offering of United States Savings Bonds, Series I - 31 CFR 359:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/31cfr359\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/31cfr359_00.html)

Regulations governing United States Savings Bonds, Series I - 31 CFR 360:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/31cfr360\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/31cfr360_00.html)

Series EE Savings Bond web pages on the savings bonds website:

<http://www.savingsbonds.gov/sav/savinvt.htm>

Series EE Savings Bond Information Statement:

<http://www.savingsbonds.gov/sav/sbeeinfo.htm>

Offering of United States Savings Bonds, Series EE - 31 CFR 351:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/31cfr351\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/31cfr351_00.html)

Regulations governing United States Savings Bonds, Series EE and HH - 31 CFR 353:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/31cfr353\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/31cfr353_00.html)

Series HH Savings Bond web pages on the savings bonds website:

<http://www.savingsbonds.gov/sav/sbhinvst.htm>

Offering of United States Savings Bonds, Series HH - 31 CFR 352:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/31cfr352\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/31cfr352_00.html)

United States Government Printing Office:

<http://www.access.gpo.gov>

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