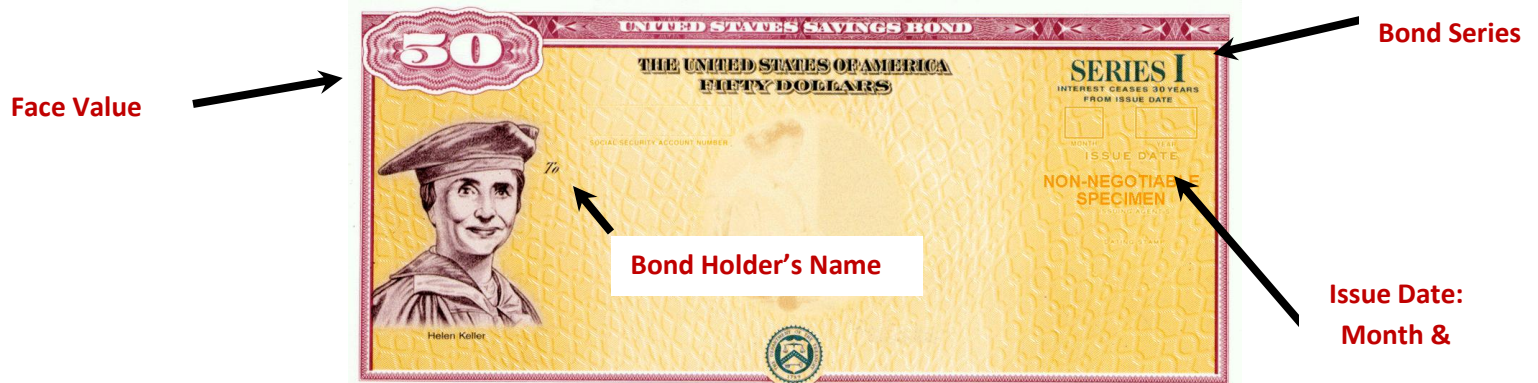


Series I U.S. Savings Bonds: Save for the future



What is a Series I U.S. Savings Bond?

- A long term savings instrument for the individual investor guaranteed by the U.S. Government
- An IOU from the U.S. Government to the bond purchaser
- They are purchased at face value (a \$50 bond buys \$50)
- Bonds are available in denominations of \$50, \$100, \$200, \$500, and \$1000 at face value

How can I redeem a savings bond?

- Can be redeemed at most banks and credit unions with a valid ID
- Cannot be redeemed during the first 12 months after purchase unless the purchaser lives in an area affected by a natural disaster
- If redeemed within the first 5 years, then the 3 most recent month's interest is forfeited

How are taxes calculated on earned interest from a savings bond?

- Earned interest is subject to federal income tax but is exempt from state and local income tax
- Taxes on earned interest can be deferred until redemption or final maturity, whichever comes first.
- Earned interest may qualify for exemption from taxes when redeemed to pay education expenses. Qualified taxpayers may be able to exclude all or part of the interest earned from eligible Savings Bonds issued after 1989 when paying qualified higher education expenses. The bond must be issued in the name of a taxpayer age 24 or older at the time of issuance.
- Under certain circumstances, reissuing of bonds will require the interest earned on the bond to be reported as income in the year the reissue occurs

What is the interest rate and how does it change?

- Currently offer 1.18% interest, have no fees and are protected from inflation
- The interest rate has two components: a fixed rate that stays the same for the life of the bond and a variable semiannual inflation rate
- The current rate of 1.18% includes a fixed rate of 0% and a variable semiannual inflation rate of -0.86%
- The rate changes twice a year on May 1st and November 1st
- Interest accrues from the 1st day of the month of purchase and compounds semiannually based on the issue date
- Bonds continue to earn interest for 30 years or until they are redeemed, whichever comes first

How to check the status of savings bond purchase?

- To check the status of a bond purchase request, the tax filer should go to the IRS website, www.irs.gov by going to "Where's My Refund" or call 1-800-829-1954.
- If the IRS has processed the refund and placed the request for the bond, then the tax filer should contact the Treasury Retail Securities at 1-800-245-2804.

How is a savings bond issued?

- Bonds will be mailed as paper bond certificates to the address on the tax return and may take up to three weeks to reach the tax filer
- Tax filers may receive their refunds before the bond arrives by mail

Why would a bond fail to be issued?

- If the bond request is not a multiple of \$50
 - If you enter more than one name on line 5b, 5c, 6b, or 6c
 - If your refund is decreased because of a math error
 - If your refund is offset for any reason
- * Instead, your **entire** refund will be sent to you in the form of a check.

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Form **8888** Allocation of Refund (Including Savings Bond Purchases) OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service ▶ See separate instructions. ▶ Attach to your income tax return. **2011** Attachment Sequence No. **56**
 Name(s) shown on return Your social security number

Part I Direct Deposit
 Complete this part if you want us to directly deposit a portion of your refund to one or more accounts.

Read down Form 8888 to Part II

Part II U.S. Series I Savings Bond Purchases
 Complete this part if you want to buy paper bonds with a portion of your refund.

CAUTION If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See instructions for more details.

4 Amount to be used for bond purchases for yourself (and your spouse, if filing jointly) **4** _____

5a Amount to be used to buy bonds for yourself, your spouse, or someone else. **5a** _____

b Enter the owner's name (First then Last) for the bond registration

c If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here ▶

6a Amount to be used to buy bonds for yourself, your spouse, or someone else. **6a** _____

b Enter the owner's name (First then Last) for the bond registration

c If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here ▶

How can the tax refund purchase a savings bond?

- Use IRS Form 8888, Allocation of Refund (Including Savings Bond Purchases), to purchase bonds with a portion of the tax filer's refund.
- Bond purchases with a tax refund of \$250 or less will be fulfilled with \$50 bonds.
- For purchases of more than \$250, the first \$250 will be fulfilled with \$50 bonds and the fewest possible additional bonds will be issued for the remaining amount
- Each tax filer can purchase up to \$5,000 in bonds in one year
- Taxpayers will be able to purchase bonds with a portion of their refund and have the remainder of direct deposited or mailed as a paper check
- Taxpayers can purchase up-to 3 bonds for themselves, for others as co-owners (joint owner with the taxpayer), and / or beneficiaries
- Total of lines 4, 5a, & 6a cannot be more than \$5000 (or refund amount, whichever is smaller) – this is only if the refund amount is a multiple of \$50 – if not, the remainder has to be sent by check.

What are the steps in filling out Form 8888 to purchase a savings bond?

1. **Part I:** Complete as you would do when allocating the refund into different accounts: checking, savings, or other. Skip Part 1 if you are only allocating your refund between series I savings bonds and a paper check.
2. **Part II, Line 4:** Enter the portion of your refund you want to use to buy bonds for yourself (and your spouse, if filing jointly). These bonds will be registered in the name(s) shown on your return. If you are buying only for yourself (and your spouse if filing jointly) you are done.
 *****If you want to buy for others (as co-owners of the bond and/or beneficiaries, you must complete line 5 (for just one other person) and line 6 (if you want to purchase bonds for more than one other person).*****
3. **Line 5a & 6a:** Enter the portion of your refund you want to use to buy bonds for yourself, your spouse, or someone else. This amount must be a multiple of \$50.
4. **Line 5b & 6b:** Enter the primary owner's name for this bond registration. This can be you, your spouse, or someone else.
5. **Line 5c & 6c:** If you want to add a co-owner or beneficiary to this registration, enter their name. This can be you, your spouse, or someone else. Check the box on line 5c or 6c if you want this person to be a beneficiary also. A beneficiary is someone who would own the bond in the event of the death of the primary owner.
6. **Line 7:** Enter the amount that you would like to be sent by check.
7. **Line 8:** The total on line 8 must equal the total amount of your refund shown on your tax return. It must also equal the total of the amounts on lines 1a, 2a, 3a, 4, 5a, 6a, and 7. If the total on line 8 is different, a check will be sent instead.