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### US SAVINGS BONDS SERIES E & EE

By Victor Sy, CPA, MBA

Some of us have received information about savings bond Series E. Some of us have even purchased Series E bonds. Most of us, however, do not understand these bonds as we merely glance at documents and file them without learning about them. Let us have a second look to understand Series E bonds:

1. Series E and Series EE bonds are securities that appreciate over a **40-year** period if issued before December 1965 and **30 years** if issued in 1980 and thereafter.
2. They are issued in denomination of \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and 10,000.
3. These bonds are **issued at a discount** (i.e., 50% of face value). In other words, you pay \$50 for a \$100 Series EE bond.
4. These bonds are **guaranteed by the United States** as to principal and interest.
5. The bonds can be replaced by the Treasury Department if lost, stolen, mutilated, or destroyed.
6. **Interest income** is computed based on five-year Treasury marketable securities. The Treasury Department computes the average daily market yield of five-year Treasury notes on May 1 and November 1 of each year. For example, the yield of a five-year Series E bond is computed by averaging past and semi-annual yields.
7. Bonds may be issued in the name of one person, two persons as co-owners, or one person as owner and the other as beneficiary. Upon the death of a sole owner, the bonds form part of a decedent's estate for probate purposes. If a co-owner dies, the bonds belong to the surviving co-owner and do not form part of the decedent's estate.
8. There are two methods of reporting the **interest income** for income tax:
  - A. Postpone reporting the interest **until the bonds are cashed** or
  - B. Report the interest as it accrues every year.
9. Interest income on savings bonds Series E and EE are **subject to Federal income tax except if used for schooling costs (mostly tuition and registration fees** but not room board or travel) of higher education at a college or vocational school for the taxpayer, spouse, or dependent.
10. Interest income on these types of bonds are **not subject to state or local income taxes**.

For further information including current yield information, call 1(800) US Bonds or go to website [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov). To replace a loss or stolen bond, write to the Bureau of Public Debt, Parkersburg, West Virginia 26106-1328.