

Questions and Answers about Series I Savings Bonds



GENERAL

Question: *What is the Series I bond?*

Answer: The Series I bond is an accrual type savings bond tied to inflation. The bond is issued at face value with a 30-year final maturity--a 20-year original maturity period immediately followed by a 10-year extended maturity period.

Question: *How are Series I bond earnings determined?*

Answer: The earnings rate, which also is called the composite rate, can change every six months. It is made up of a fixed rate and an inflation rate. The fixed rate stays the same for the life of the bond. The inflation rate can change every six months from the issue date of the bond. When the inflation rate changes, the earnings rate does too.

Question: *When can a Series I bond be cashed (redeemed)?*

Answer: Series I bonds with issue dates prior to February 2003 became eligible for redemption six months from the issue date. Bonds with issue dates of February 2003 and later are eligible for redemption one year from the issue date. However, if a bond is cashed within the first five years after its issue date, interest earned during the three months prior to cashing will be forfeited. Once a Series I bond is five years old, there is no interest penalty for redemption.

Question: *Can you determine what the value of a Series I bond will be in future years?*

Answer: No. Although a Series I bond's fixed rate remains the same throughout the bond's life, the semiannual inflation rate can vary. You can count on a Series I bond to hold its value; that is, the bond's redemption value will not decline.

Question: *What is the inflation rate?*

Answer: The inflation rate is the percent change in the CPI-U over a six-month period ending prior to May 1 and November 1 of each year. For example, the earnings rate announced on May 1 reflects an inflation rate from the previous October through March.

Question: *Will the value of a Series I bond decrease during periods of deflation, when the CPI-U declines?*

Answer: No. In periods of deflation, the bond's redemption value won't decline.

Question: *What are some tax advantages of the Series I bond?*

Answer: Earnings are exempt from both state and local income taxes and federal income taxes can be deferred until redemption, final maturity (30 years after issue date), or other taxable disposition, whichever occurs first.

Question: *How long will my Series I bond earn interest?*

Answer: I bonds earn interest for up to 30 years.

Question: *Is there a tax advantage for Series I bonds used for college tuition?*

Answer: Yes. If you qualify, you can exclude all or part of the interest on I bonds from income as long as the proceeds are used to pay for tuition and fees at eligible post-secondary educational institutions.

PURCHASING

Question: *How can I purchase I bonds?*

Answer: You can buy I bonds in **electronic form**, at face value, after you open a TreasuryDirect® account. Purchase prices start at \$25, and you can buy in any amount above that up to \$10,000 per person, per calendar year.

You also can buy an I bond in **paper form**, through the Tax Time Purchase Program. Use IRS Form 8888, "Allocation of Refund (Including Savings Bonds Purchases)." Purchase prices start at \$50 and you can buy in \$50 multiples up to \$5,000 per person, per calendar year. After buying, if you have a remaining balance due to you on your tax return, you can choose to have remaining funds delivered to you by direct deposit or by check. IRS Form 8888 provides detailed instructions explaining how to request bond purchases. More information can be found at https://treasurydirect.gov/indiv/research/faq/faq_irstaxfeature.htm.

Treasury discontinued over-the-counter sales of paper I bonds in December 2011.

NOTES:

- Purchase limits for electronic and paper bonds are separate, meaning you can buy up to \$15,000 in I bonds per year (\$10,000 electronic and \$5,000 paper).
- Adding or naming a coowner doesn't allow you to buy bonds above the annual limits.

Question: *If an individual purchases the maximum allowable amount of Series I bonds in one calendar year, does this affect the annual limit for that individual's Series EE savings bond purchases that same year?*

Answer: No, an individual may purchase the maximum amount in Series I bonds and purchase the maximum amount in Series EE bonds during the same calendar year.

Question: *What registrations are available for Series I bonds you sell today?*

Answer: This depends on whether they are electronic or paper. In either case, they may have registrations in the names of individuals. Electronic I bonds also may have registrations in the names of entities.

Registrations for **electronic** I bonds: sole owner, primary owner with secondary owner, beneficiary, guardianship estate (for example, "John Doe, guardian of the estate of Mary Doe, a minor"), personal trust estate (for example, "First National Bank, trustee under agreement with John Doe, dated 01/02/98"), testamentary trust estate (for example, "Jerry Green, trustee under the will of Jane Green, deceased"), deceased owner's administered estate (for example, "Joe Bond executor under the will of Jane Bond deceased"), corporation, Limited Liability Company (LLC), Professional Limited Liability Company (PLLC), sole proprietorship, and partnership.

Registrations for **paper** I bonds: single owner, coowner, and beneficiary.

REDEMPTION AND REISSUE

Question: *How can I determine the current value of a Series I bond?*

Answer: If you hold the bond in TreasuryDirect, you can see the value there: log in, click the “Current Holdings” tab, choose a series, and click “Submit.” Otherwise, you can check the value in the Savings Bond Calculator at <https://www.treasurydirect.gov/BC/SBCPrice>.

Question: *When are earnings added to a Series I bond’s value?*

Answer: Interest accumulates and is added to the value of the bond on the first of each month based on the current earnings rate. Compounding of interest is done on a semiannual basis.

Question: *Can you remove the name of a living coowner or beneficiary from a Series I bond’s registration without the consent of that coowner or beneficiary?*

Answer: The name of a living **coowner** can’t be removed from a Series I bond’s registration in a reissue transaction, regardless of that coowner’s willingness to consent, unless the reissue is an electronic reissue in TreasuryDirect or ordered or approved by a court in a divorce settlement. A **beneficiary’s** name can be removed at the request of the owner of the bond without the beneficiary’s knowledge or consent.

Question: *Can paper Series I bonds be reissued?*

Answer: Yes, they can be reissued, but only into a TreasuryDirect account. In TreasuryDirect, the bond will be electronic, not paper. The registration on the bond must be one that’s available for electronic bonds. (Above, see “What registrations are available for Series I bonds?”)

Question: *How do you calculate the interest rate of a Series I bond?*

Answer: I bond interest rates have two parts:

- A fixed rate that lasts for 30 years
- An inflation rate that changes every six months

I bond fixed rates are determined each May 1 and November 1. Each fixed rate applies to all I bonds issued in the six months following the rate determination. The semiannual inflation rate is determined each May 1 and November 1. It is the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) over six months. Each semiannual inflation rate applies to all outstanding I bonds for six months.

We combine fixed rates and semiannual inflation rates to determine composite earnings rates. An I bond’s composite earnings rate can change every six months after its issue date. Here’s how we set the composite rate for I bonds issued November 2005 – April 2006:

Fixed rate = 1.00%

Semiannual inflation rate = 2.85%

Composite rate = [Fixed rate + (2 x Semiannual inflation rate) + (Fixed rate x Semiannual inflation rate)]

Composite rate = [0.0100 + (2 x 0.0285) + (0.0100 x 0.0285)]

Composite rate = [0.0100 + 0.057 + 0.000285]

Composite rate = [0.067285]

Composite rate = 0.0673

Composite rate = 6.73%