

**Exclusion of Interest From Series EE and I  
 U.S. Savings Bonds Issued After 1989  
 (For Filers With Qualified Higher Education Expenses)**  
 ▶ Attach to Form 1040 or Form 1040A.

Name(s) shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

1	(a) Name of person (you, your spouse, or your dependent) who was enrolled at or attended an eligible educational institution	(b) Name and address of eligible educational institution

If you need more space, attach a statement.

2 Enter the total qualified higher education expenses you paid in 2001 for the person(s) listed in column (a) of line 1. See the instructions to find out which expenses qualify . . . . .	2		
3 Enter the total of any nontaxable educational benefits (such as nontaxable scholarship or fellowship grants) received for 2001 for the person(s) listed in column (a) of line 1. See instructions	3		
4 Subtract line 3 from line 2. If zero or less, <b>stop</b> . You <b>cannot</b> take the exclusion . . . . .	4		
5 Enter the total proceeds (principal and interest) from all series EE and I U.S. savings bonds <b>issued after 1989</b> that you <b>cash</b> during 2001 . . . . .	5		
6 Enter the interest included on line 5. See instructions . . . . .	6		
7 If line 4 is equal to or more than line 5, enter "1.000." If line 4 is less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places) . . . . .	7	×	.
8 Multiply line 6 by line 7 . . . . .	8		
9 Enter your modified adjusted gross income. See instructions . . . . . <b>Note:</b> If line 9 is \$70,750 or more if single or head of household, or \$113,650 or more if married filing jointly or qualifying widow(er), <b>stop</b> . You <b>cannot</b> take the exclusion.	9		
10 Enter: \$55,750 if single or head of household; \$83,650 if married filing jointly or qualifying widow(er) . . . . .	10		
11 Subtract line 10 from line 9. If zero or less, skip line 12, enter -0- on line 13, and go to line 14 . . . . .	11		
12 Divide line 11 by: \$15,000 if single or head of household; \$30,000 if married filing jointly or qualifying widow(er). Enter the result as a decimal (rounded to at least three places) . . . . .	12	×	.
13 Multiply line 8 by line 12 . . . . .	13		
14 <b>Excludable savings bond interest.</b> Subtract line 13 from line 8. Enter the result here and on Schedule B (Form 1040), line 3, or Schedule 1 (Form 1040A), line 3, whichever applies . . ▶	14		

**General Instructions**

Section references are to the Internal Revenue Code.

**Purpose of Form**

If you cashed series EE or I U.S. savings bonds in 2001 that were issued after 1989, you may be able to exclude from your income part or all of the interest on those bonds. Use this form to figure the amount of any interest you may exclude.

**Who May Take the Exclusion**

You may take the exclusion if **all four** of the following apply.

1. You cashed qualified U.S. savings bonds in 2001 that were issued after 1989.
2. You paid qualified higher education expenses in 2001 for yourself, your spouse, or your dependents.
3. Your filing status is any status **except** married filing separately.
4. Your modified AGI (adjusted gross income) is less than: \$70,750 if single or head of household; \$113,650 if married filing jointly or qualifying widow(er). See the instructions for line 9 to figure your modified AGI.

**U.S. Savings Bonds That Qualify for Exclusion**

To qualify for the exclusion, the bonds must be series EE or I U.S. savings bonds issued after 1989 in your name, or, if you are married, they may be issued in your name and your spouse's name. Also, you must have been age 24 or older before the bonds were issued. A bond bought by a parent and issued in the name of his or her child under age 24 does not qualify for the exclusion by the parent or child.

**Recordkeeping Requirements**

Keep the following records to verify interest you exclude.

- Bills, receipts, canceled checks, or other documents showing you paid qualified higher education expenses in 2001.
- A written record of each post-1989 series EE or I bond that you cash. Your record must include the serial number, issue date, face value, and total redemption proceeds (principal and interest) of each bond. You may use **Form 8818**, Optional Form To Record Redemption of Series EE and I U.S. Savings Bonds Issued After 1989.

## Specific Instructions

### Line 1

**Column (a).** Enter the name of the person who was enrolled at or attended an eligible educational institution or for whom you made contributions to a Coverdell education savings account (Coverdell ESA) or a qualified state tuition program (QSTP). This person must be you, your spouse, or your dependent(s) claimed on line 6c of Form 1040 or Form 1040A. An **eligible educational institution** is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution. The institution must be eligible to participate in the student aid programs administered by the Department of Education. Virtually all accredited postsecondary institutions meet this requirement.

**Column (b).** Enter the name and address of the institution. If the person was enrolled at or attended more than one, list all of them. Also, if you contributed to a Coverdell ESA for the person, enter "Coverdell ESA" and the name and address of the financial institution where the account is located. For contributions to a QSTP, enter "QSTP" and the name and address of the program.

### Line 2

**Qualified higher education expenses** include tuition and fees required for the enrollment or attendance of the person(s) listed on line 1, column (a), at the institution(s) listed in column (b). They also include contributions to a Coverdell ESA or a QSTP for the person(s) listed on line 1. Qualified expenses **do not** include expenses for:

- Room and board or
- Courses involving sports, games, or hobbies that are not part of a degree or certificate granting program.

**Do not** include on line 2 expenses that were:

- Covered by nontaxable educational benefits paid directly to, or by, the educational institution,
- Used to figure an education credit on **Form 8863**, or
- Used to figure the excludable amount of a distribution from a Coverdell ESA.

### Line 3

Enter on this line the total qualified higher education expenses included on line 2 that were covered by **nontaxable educational benefits**. These benefits include:

- Scholarship or fellowship grants excludable from income under section 117.
- Veterans' educational assistance benefits.
- Employer-provided educational assistance benefits that are not included in box 1 of your W-2 form(s).
- Payments, waivers, or reimbursements of educational expenses under a QSTP.
- Any other payments (but **not** gifts, bequests, or inheritances) for educational expenses that are exempt from income tax by any U.S. law.

**Do not** include on line 3 nontaxable educational benefits paid directly to, or by, the educational institution.

**Example.** You paid \$10,000 of qualified higher education expenses in 2001 to the college your son attended. None of the expenses are used to figure an education credit or the excludable amount of a Coverdell ESA distribution. You claim your son as a dependent on line 6c of your 2001 tax return. Your son received a \$2,000 nontaxable scholarship grant for 2001, which was paid directly to him. In this case, enter \$10,000 on line 2 and \$2,000 on line 3.

### Line 6

If you reported any of the interest before 2001, see **Pub. 550** for the amount to enter. Otherwise, enter the amount from Form 8818, line 8 (if you used that form to record the bonds cashed), or use the worksheet below to figure the amount to enter.

#### Line 6 Worksheet (keep a copy for your records)

1. Enter the amount from Form 8815, line 5 . . . . . **1.** \_\_\_\_\_
2. Enter the face value of all post-1989 series EE bonds cashed in 2001 . . . . . **2.** \_\_\_\_\_
3. Multiply line 2 by 50% (.50) . . . . . **3.** \_\_\_\_\_
4. Enter the face value of all series I bonds cashed in 2001 . . . . . **4.** \_\_\_\_\_
5. Add lines 3 and 4 . . . . . **5.** \_\_\_\_\_
6. Subtract line 5 from line 1. Enter the result here and on Form 8815, line 6 . . . . . **6.** \_\_\_\_\_

## Line 9

Follow these steps before you fill in the **Line 9 Worksheet** below.

Step	Action						
1	If you received social security benefits, use <b>Pub. 915</b> to figure the taxable amount of your benefits.						
2	If you made contributions to a traditional IRA for 2001 and you were covered by a retirement plan at work or through self-employment, use <b>Pub. 590</b> to figure your IRA deduction.						
3	If you file Form 1040, figure any amount to be entered on the dotted line next to line 32.						
4	Complete the following lines on your return if they apply.						
	<table border="1"> <thead> <tr> <th>IF you file Form...</th> <th>THEN complete lines...</th> </tr> </thead> <tbody> <tr> <td>1040</td> <td>8b, 9-21, 23, and 25-31a</td> </tr> <tr> <td>1040A</td> <td>8b, 9-14b, and 16</td> </tr> </tbody> </table>	IF you file Form...	THEN complete lines...	1040	8b, 9-21, 23, and 25-31a	1040A	8b, 9-14b, and 16
	IF you file Form...	THEN complete lines...					
1040	8b, 9-21, 23, and 25-31a						
1040A	8b, 9-14b, and 16						
5	If any of the following apply, see Pub. 550: <ul style="list-style-type: none"> <li>• You are filing <b>Form 2555</b> or <b>2555-EZ</b> (relating to foreign earned income), or <b>Form 4563</b> (exclusion of income for residents of American Samoa),</li> <li>• You have employer-provided adoption benefits for 2001,</li> <li>• You are excluding income from Puerto Rico, or</li> <li>• You have investment interest expense attributable to royalty income.</li> </ul>						

#### Line 9 Worksheet (keep a copy for your records)

1. Enter the amount from line 2 of **Schedule B** (Form 1040) or **Schedule 1** (Form 1040A) . . . . . **1.** \_\_\_\_\_
2. **Form 1040 filers**, add the amounts on lines 7, 9 through 14, 15b, 16b, 17 through 19, 20b, and 21. Enter the total. **Form 1040A filers**, add the amounts on lines 7, 9, 10, 11b, 12b, 13, and 14b. Enter the total . . . . . **2.** \_\_\_\_\_
3. Add lines 1 and 2 . . . . . **3.** \_\_\_\_\_
4. **Form 1040 filers**, enter the total of the amounts from lines 23 and 25 through 31a, plus any amount entered on the dotted line next to line 32. **Form 1040A filers**, enter the amount from line 16 . . . . . **4.** \_\_\_\_\_
5. Subtract line 4 from line 3. Enter the result here and on Form 8815, line 9 . . . . . **5.** \_\_\_\_\_

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 51 min.; **Learning about the law or the form**, 10 min.; **Preparing the form**, 52 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1040 or Form 1040A.