



Federal Register

**Thursday,
May 8, 2003**

Part II

Department of the Treasury

Fiscal Service

**31 CFR Part 315, et al.
Regulations Governing Treasury
Securities, New Treasury Direct System;
Final Rule**

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Parts 315, 351, 353, 359, 360, and 363****Regulations Governing Treasury Securities, New Treasury Direct System**

AGENCY: Bureau of the Public Debt, Fiscal Service, Treasury.

ACTION: Final rule.

SUMMARY: We recently implemented a new book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. The system is known as New Treasury Direct.

At its initial implementation, the only Treasury security that could be held in New Treasury Direct was the book-entry Series I savings bond. We are now adding the book-entry Series EE savings bond to the system. We revised the regulations governing book-entry Treasury securities held in the New Treasury Direct system by adding the Series EE savings bond to the subpart dealing with the Series I savings bond. This subpart now covers both Series I and Series EE book-entry savings bonds.

We revised the offering of United States savings bonds of Series EE to provide for the book-entry Series EE savings bond. We changed the purchase limitation for definitive Series EE bonds from face amount to principal amount, for consistency with the purchase limitation for book-entry Series EE savings bonds, and with book-entry and definitive Series I bonds. We extended the original maturity period of Series EE savings bonds from 17 years to 20 years. We also rewrote the regulations in plain language.

We revised the governing regulations for United States savings bonds of Series EE to make it clear that these regulations only apply to definitive Series EE savings bonds. We revised the governing regulations for Series E, H, EE, HH, and I savings bonds to streamline the handling of bonds belonging to a decedent's estate, and to make the estate provisions consistent with those for book-entry bonds.

DATES: Effective May 8, 2003.

ADDRESSES: You can download this final rule at the following Internet address: <http://www.publicdebt.treas.gov>.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:**Background**

Public Debt recently developed a new account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. The new system is known as New Treasury Direct.

Upon the initial implementation of the system in October 2002, only book-entry Series I savings bonds were offered through New Treasury Direct.

We will now offer book-entry Series EE savings bonds through the New Treasury Direct system.

We will continue to offer definitive Series EE savings bonds for some period of time.

The book-entry Series EE savings bond will benefit the investor by expanding the choices available within the New Treasury Direct system. The investor will be able to purchase and conduct transactions in Series EE savings bonds using his or her New Treasury Direct account using the Internet. The system will eliminate the paperwork burden inherent in the purchase of definitive Series EE savings bonds.

The book-entry Series EE savings bond will benefit the government by providing a cost-effective and efficient processing environment, thereby reducing processing costs to Treasury.

The offering circular for Series EE savings bonds is being amended to provide for the offering of the book-entry EE bond, and has also been rewritten in plain language. The offering circular is also being amended to change the original maturity period for both definitive and book-entry Series EE savings bonds from 17 years to 20 years. This change is being done because of the provision in the regulations that provides that a Series EE bond is worth its full face amount at original maturity. The effect of extending the original maturity period is to lower the minimum interest rate that is guaranteed at final maturity.

Both definitive and book-entry Series EE savings bonds will earn interest in

the same manner. Both remain accrual bonds with interest payable only at redemption. However, the definitive Series EE savings bond continues to be sold at one-half of the face amount, while the book-entry Series EE savings bond will have a face amount equal to the amount at which it is sold.

The limitation on purchases for the principal amount of a definitive Series EE savings bond is now \$30,000 per calendar year, making it consistent with the limitation on purchases for the book-entry Series EE bond, and both book-entry and definitive Series I savings bonds, which is \$30,000 per calendar year, par amount. We also changed the manner in which the computation of the amount limitation is made. Previously, bonds purchased by a person as a coowner could be apportioned between the first and second-named coowners. This change requires that all bonds purchased by a person as first-named coowner be counted in the amount limitation, regardless of who is named as second-named coowner. This has the effect of removing a loophole in the amount limitation, in which a person could purchase more than the annual limitation by naming several other individuals as coowners and apportioning the amount limitation among the other coowners.

We revised the purchase limitation for Series I savings bonds from per New Treasury Direct account to per person. This change will eliminate the possibility of circumventing the amount limitation by opening more than one New Treasury Direct account, and purchasing the maximum amount per account.

Registration options of the definitive and book-entry Series EE bond differ in many respects. The terms and conditions for the book-entry Series EE savings bond will be similar to the terms and conditions of the book-entry Series I savings bond.

Like the book-entry Series I savings bond, the forms of registration for book-entry Series EE savings bonds are single owner, primary owner with secondary owner, and owner with beneficiary. In addition, several special forms of registration are offered for securities belonging to the estates of deceased owners and legally incompetent persons.

The primary owner with secondary owner form of registration replaces the coowner form used for definitive EE savings bonds. In the coowner form of registration, both coowners have an equal right to the bond. In the primary owner with secondary owner form, the purchaser of the bond, the primary

owner, has control of the bond. The primary owner may give the secondary owner the right to view or the right to conduct transactions in the bond, and may at any time revoke any rights given. The primary owner may remove the secondary owner without the consent of the secondary owner.

The single owner and owner with beneficiary forms of registration are identical to the registrations offered currently in definitive Series EE savings bonds.

The book-entry Series EE savings bond may be transferred from one New Treasury Direct account to another in order to give a gift (or in response to a final judgment, court order, divorce decree, or a property settlement agreement). The owner of the bond must certify online that the transfer is for the purpose of a gift or for one of the specified exceptions.

A book-entry Series EE savings bond may also be purchased as an irrevocable gift. The purchaser may deliver a gift bond to the account of the intended recipient immediately upon issue, or the purchaser may hold the bond until the purchaser chooses to deliver the bond to the intended recipient.

When transferred or delivered to the recipient, the gift bond will be transferred or delivered in the single owner form of registration to the owner named on the gift bond.

The limitation on purchases for book-entry Series EE savings bonds is \$30,000 per person per calendar year for bonds purchased by the account owner. Bonds purchased as gifts are included in the amount limitation of the recipient when delivered. Book-entry Series EE savings bonds may be purchased in a minimum amount of \$25, with one-cent increments above that amount per transaction. Book-entry bonds may be redeemed or transferred as a gift (or transferred pursuant to other permitted transfers) in an amount of \$25 or greater redemption value.

The provisions relating to judicial proceedings are consistent with those governing definitive Series EE savings bonds. However, the primary owner with secondary owner form of registration for book-entry Series EE savings bonds mandates that some issues be treated differently. In the primary owner with secondary owner form of registration, the secondary owner has no right to redeem unless the primary owner gives him or her that right, and the right is revocable at any time. Thus, for purposes of judicial proceedings, a secondary owner is treated the same as a beneficiary.

We revised the governing regulations for all series of savings bonds and

savings notes to streamline the procedures for handling decedents' estates. The change will provide a survivors' order of precedence that will permit a specified person to redeem or reissue savings bonds owned by a decedent on behalf of all persons entitled under state law, if the estate has not been administered, and if the redemption value of the bonds does not exceed \$100,000. This change will provide consistency in the processing of bonds belonging to decedents' estates among all series of bonds and between definitive bonds and book-entry bonds. The previous regulations for savings bonds (except Series I) and savings notes provided for a similar survivors' order of precedence, but had a much lower amount limitation. The previous regulations for Series I savings bonds contained a slightly different version of the survivors' order of precedence.

Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

This final rule relates to matters of public contract and procedures for United States securities. The notice and public procedures requirements and delayed effective date requirements of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

As no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) does not apply.

We ask for no new collections of information in this final rule. Therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

List of Subjects

31 CFR Part 315

Banks and banking, Government securities, Federal reserve system.

31 CFR Part 351

Bonds, Federal Reserve system, Government securities.

31 CFR Part 353

Banks and banking, Government securities, Federal reserve system.

31 CFR Part 359

Bonds, Federal Reserve system, Government securities, Securities.

31 CFR Part 360

Bonds.

31 CFR Part 363

Bonds, Electronic funds transfer, Federal Reserve system, Government securities, Securities.

■ Accordingly, for the reasons set out in the preamble, 31 CFR chapter II, subchapter B, is amended as follows:

PART 315—REGULATIONS GOVERNING U.S. SAVINGS BONDS, SERIES A, B, C, D, E, F, G, H, J, AND K, AND U.S. SAVINGS NOTES

■ 1. The authority citation for part 315 continues to read as follows:

Authority: 31 U.S.C. 3105 and 5 U.S.C. 301.

■ 2. Revise § 315.71 to read as follows:

§ 315.71 Decedent's estate.

(a) *Estate is being administered.* (1) Appropriate proof of appointment will be required for the legal representative of the estate. Letters of appointment must be dated within one year of submission.

(2) The bonds will be registered in the following form: "John Doe, SSN 123-45-6789, Legal Representative of the estate of James Doe, deceased, SSN 987-65-4321."

(3) The legal representative of the estate may request payment of bonds and held payments belonging to a decedent's estate, to the estate or to the person(s) entitled, or may have the bonds reissued to the person(s) entitled.

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of bonds or may have the bonds reissued to the person(s) entitled. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence will be required.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of bonds or may have the bonds reissued to the person(s) entitled. Appropriate evidence is required.

(d) *Survivors' order of precedence for payment or reissue.* Estates with bonds over \$100,000 redemption value must be administered. If there has been no administration, no administration is pending or contemplated, no summary or small estate procedures have been used, and the redemption value of the bonds is \$100,000 or less, then bonds may be paid or reissued to the persons

named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendant of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class;

(3) There is no surviving spouse and there is a surviving child or descendant of deceased children: To the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: To the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: To the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: To other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: To persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: To the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person has not been reimbursed. Reissues are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments or reissues according to paragraph (d) of this section, we will make the payments to either a person individually, or individually and on behalf of all other persons entitled. A person who receives payment of bond proceeds individually and on behalf of others warrants that he or she will make distribution of the proceeds to the persons entitled by the law of the decedent's domicile. The provisions of this section are for the convenience of the United States and do not determine ownership of the bonds or their proceeds. The Department of the Treasury may rely on information provided by the person who requests payment or transfer, and is not liable for any action taken in reliance on the information furnished.

§ 315.72 [Reserved]

- 3. Remove and reserve § 315.72.

PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

- 4. Revise part 351 to read as follows:

PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

Sec.

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redemption value calculations in this subpart?

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Series EE Savings Bonds With Issue Dates Prior to May 1, 1995

- 351.19 What are maturity periods of Series EE savings bonds with issue dates prior to May 1, 1995?
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Series EE Savings Bonds With Issue Dates From May 1, 1995, Through April 1, 1997

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- 351.27 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995 through April 1, 1997, during an extended maturity period?
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Series EE Savings Bonds With Issue Dates From May 1, 1997, and Thereafter

- 351.29 What are the maturity periods of bonds with issue dates from May 1, 1997, and thereafter?
- 351.30 What are interest rates and monthly accruals for bonds with issue dates of May 1, 1997, or thereafter, during the original maturity period?
- 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, or thereafter that are redeemed less than 5 years after the issue date?
- 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, or thereafter?
- 351.33 What are interest rates and redemption values for bonds issued May

1, 1997, or thereafter, during an extended maturity period?

351.34–351.39 [Reserved]

Subpart C—Definitive Series EE Savings Bonds

351.40 What are the denominations and prices of definitive Series EE savings bonds?

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351.72–351.80 [Reserved]

Subpart E—Miscellaneous Provisions

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351.87 May Public Debt revise, supplement or amend the terms of this offering?

Appendix to Part 351—Tax Considerations

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

Subpart A—General Information

§ 351.0 What does this part cover?

This part is the offering of United States Savings Bonds of Series EE (referred to as Series EE bonds or bonds) for sale to the people of the United States by the Secretary of the Treasury (Secretary). Series EE bonds have been offered since 1980. The current offer was effective May 1, 2003, and will continue until terminated by the Secretary.

§ 351.1 What regulations govern Series EE savings bonds?

(a) The regulations in 31 CFR part 353 apply to definitive (paper) Series EE savings bonds.

(b) The regulations in 31 CFR part 363 apply to book-entry Series EE savings bonds.

(c) The regulations in 31 CFR part 370 apply to transactions for the purchase of savings bonds issued through the Bureau of the Public Debt, but do not apply to transactions purchased through issuing agents generally.

(d) We expressly disclaim any representations or warranties regarding Series EE savings bonds that in any way conflict with these regulations and other applicable law.

§ 351.2 How do I contact Public Debt?

You may contact Public Debt by e-mail at <savbonds@bpd.treas.gov>, or by writing to the following address: Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328. Our website address is <www.savingsbonds.gov>.

§ 351.3 What special terms do I need to know to understand this part?

Accrual date is the first day of any month on which earnings on a Series EE bond accrue. The redemption value of a bond does not change between these accrual dates.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA).

NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Bank account means your account at a United States depository financial institution (whether a bank or other financial institution) to which you have directed that ACH debits and payments be made.

Beneficiary refers to the second individual named in the registration of a security held in definitive form registered “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe.” In the New Treasury Direct system, beneficiary refers to the second individual named in the registration of a security registered “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.” In these examples, Joseph Doe is the beneficiary.

Book-entry bond means a Series EE savings bond maintained by Treasury solely as a computer record.

Coowner means either the first or the second individual named in the registration of a definitive Series EE savings bond registered “John Doe SSN 123–45–6789 or Joseph Doe.” In this example, John Doe and Joseph Doe are coowners.

Definitive bond means a Series EE savings bond issued in paper form.

Extended maturity period, and *extended maturity* refer to periods after the original maturity dates of the bonds during which owners may retain them and continue to earn interest.

Face amount refers to the nominal amount of a Series EE savings bond. The face amount of a definitive Series EE bond is imprinted on the front of the bond. The face amount of a book-entry Series EE bond is the amount of the original investment. (See principal amount.)

Fiduciary means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for another. Fiduciary does not include an attorney-in-fact.

Final maturity refers to the date that a bond ceases to earn interest.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Interest, as used in this part, is the difference between the principal amount and the redemption value of the bond.

Issue date is the first day of the month in which an authorized issuing agent receives payment of the issue price of the bond.

Issuing agent means an organization that has been qualified under 31 CFR

part 317, and any other entity that is otherwise authorized to issue bonds.

New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

Original maturity period or original maturity refers to the initial maturity period of a bond prior to any extensions of maturity; this period varies from 8 to 20 years, depending on the issue date of the bond.

Owner is either a single owner, the first individual named in the registration of a bond held in the owner with beneficiary form of registration, or the primary owner of a book-entry bond held in the primary owner with secondary owner form of registration.

Par means the face amount of a Series EE savings bond.

Paying agent means a financial institution that has been qualified under 31 CFR part 321.

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. *Person* does not mean a Federal Reserve Bank.

Primary owner means the first individual named in the registration of a book-entry bond held in New Treasury Direct registered "John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321." In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Redemption of a book-entry Series EE savings bond refers to payment of principal and accrued interest on the bond at final maturity, or, at the option of the owner, prior to final maturity. The owner of a book-entry savings bond held in New Treasury Direct may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption of a definitive Series EE savings bond refers to the payment of principal and accrued interest when the owner presents the bond for payment.

Redemption value means principal plus accrued interest of a Series EE savings bond, as of the date of potential or actual redemption. In the case of a book-entry Series EE savings bond, it also refers to a portion of the principal amount plus a proportionate amount of accrued interest of a bond, as of the date of potential or actual redemption.

Registration of a book-entry Series EE savings bond means that the name and taxpayer identification number (TIN) of

all registrants are maintained on our records for a book-entry bond.

Registration of a definitive Series EE savings bond means that the name and TIN of the owner, first-named coowner, or purchaser of a gift bond are imprinted on the face of the bond.

Secondary owner means the second individual named in the registration of a book-entry bond held in New Treasury Direct registered "John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321." In this example, Joseph Doe is the secondary owner.

Semiannual rate periods or semiannual earnings periods are the six-month periods beginning on the issue date and on each semiannual anniversary of the issue date to final maturity.

Series EE savings bond is an accrual-type savings bond, offered at a discount, either in definitive (paper) form or in book-entry form, that pays interest on the principal based on rates determined by Treasury.

Single owner means the person named in the registration of a savings bond without a coowner, beneficiary or secondary owner.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service; for example, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123-45-6789. An EIN is composed of nine digits separated by one hyphen, for example, 12-3456789. The hyphens are an essential part of the numbers.

We, us, or our refers to the agency, the Bureau of the Public Debt. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Public Debt. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or your refers to an owner of a Series EE savings bond.

§ 351.4 In what form are Series EE savings bonds issued?

Series EE savings bonds are issued in either book-entry or definitive form.

Subpart B—Maturities, Redemption Values, and Investment Yields of Series EE Savings Bonds

General Provisions

§ 351.5 What is the maturity period of a Series EE savings bond?

Series EE savings bonds have a total maturity period of 30 years from the

issue date, consisting of an original maturity period and one or two periods of extended maturity, which vary depending on the issue date of the bond. The interest on an outstanding bond ceases to accrue 30 years after its issue date.

§ 351.6 When may I redeem my Series EE savings bond?

(a) *Bonds with issue dates on or before January 1, 2003.* You may redeem your Series EE savings bond at any time beginning six months after its issue date.

(b) *Bonds with issue dates on or after February 1, 2003.* You may redeem your Series EE savings bond at any time beginning twelve months after its issue date.

§ 351.7 May Series EE savings bonds be called for redemption prior to final maturity?

The Secretary of the Treasury may not call Series EE bonds for redemption prior to final maturity.

§ 351.8 When is interest payable on Series EE savings bonds?

Interest on a bond accrues and becomes part of the redemption value. Interest earnings are payable upon redemption.

§ 351.9 When will I receive the redemption value of my Series EE savings bonds?

(a) You will be paid the redemption value of your definitive bond when you surrender the bond for payment as provided in these regulations and in 31 CFR part 353.

(b) You will be paid the redemption value of your book-entry bond when it reaches final maturity, if you have not redeemed the bond previously.

§ 351.10 What do I need to know about market yields, or market bid yields, to understand redemption value calculations in this subpart?

We use market yields, or market bid yields, derived from Treasury bills, notes, and bonds, to create a yield curve based on the most actively traded Treasury securities. This curve relates the yield on a security to its time to maturity. Yields at particular points on the curve are referred to as "constant maturity yields" and are determined by the Treasury from this daily yield curve. Six-month and 5-year Treasury securities rates are derived from these yield curves.

§ 351.11 What do I need to know about the short-term savings bond rate, to understand redemption value calculations in this subpart?

We determine this rate by compiling 6-month Treasury securities rates as of

the close of business for each day of the previous three months and calculating the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. We then determine the short-term savings bond rate by taking 85 percent of the three-month average and rounding the result to the nearest one-hundredth of one percent. For bonds entitled to interest accruals at the short-term savings bond rate, that rate applies to the bond's first full semiannual interest accrual period following each announcement of the rate.

§ 351.12 What do I need to know about the long-term savings bond rate, to understand redemption value calculations in this subpart?

We determine this rate by compiling 5-year Treasury securities rates as of the close of business for each day of the previous six months and calculating the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. We then determine the long-term savings bond rate by taking 85 percent of the 6-month average and rounding the result to the nearest one-hundredth of one percent. For bonds entitled to interest accruals at the long-term savings bond rate, that rate applies to the bond's first full semiannual interest accrual period following each announcement of the rate.

§ 351.13 What do I need to know about the savings bond rate to understand redemption value calculations in this subpart?

We determine the savings bond rate by compiling 5-year Treasury securities yields as of the close of business for each day of the previous six months and calculating the monthly average to the nearest one-hundredth of one percent. We then determine the savings bonds rate by taking 90 percent of the 6-month average and rounding the result to the nearest one-hundredth of one percent.

§ 351.14 When are rate announcements that apply to Series EE savings bonds announced?

(a) The Secretary will furnish rates that apply to Series EE savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when we are not open for business, then the Secretary will make the announcement on the next business day. However, the effective date of the rate remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 351.15 Is the determination of the Secretary on rates and values final?

The Secretary's determination of rates of return and savings bond redemption values is final and conclusive.

§ 351.16 What do I need to know about the base denomination for redemption value calculations?

We base all calculations of interest on a unit with a principal amount of \$12.50. We use this unit value to determine the value of bonds in higher denominations. The effect of rounding off the value of the \$12.50 unit increases at higher denominations. This can work to your slight advantage or disadvantage, depending on whether the value is rounded up or down.

Example. The following hypothetical example illustrates the calculation: A rate of 3.25% will result in a newly purchased \$12.50 unit increasing in value after six months to \$12.70, when rounded to the nearest cent. Therefore, a \$5,000 definitive Series EE bond (with a principal amount of \$2,500) will be worth \$2,540 after six months ($[\$2,500 \text{ divided by } \$12.50] \times \$12.70 = \$2,540$.) In contrast, if applied directly to a \$2,500 principal amount, the rate would render a value of \$2,540.63 after six months, a difference of 63 cents. (This example does not account for any interest penalty that might apply if you redeem a bond less than five years after its issue date.)

§§ 351.17–351.18 [Reserved]

Series EE Savings Bonds with Issue Dates Prior to May 1, 1995

§ 351.19 What are maturity periods of Series EE savings bonds with issue dates prior to May 1, 1995?

Bonds with issue dates from January 1, 1980, through May 1, 1995 have an original maturity period and two extended maturity periods, as shown by the following table:

Issue dates—1st day of	Original term (in years)	First extended term (in years)	Second extended term (in years)	Final maturity dates
Jan. 1980–Oct. 1980	11	10	9	Jan. 2010–Oct. 2010.
Nov. 1980–Apr. 1981	9	10	11	Nov. 2010–Apr. 2011.
May 1981–Oct. 1982	8	10	12	May 2011–Oct. 2012.
Nov. 1982–Oct. 1986	10	10	10	Nov. 2012–Oct. 2016.
Nov. 1986–Feb. 1993	12	10	8	Nov. 2016–Feb. 2023.
Mar. 1993–Apr. 1995	18	10	2	Mar. 2023–Apr. 2025.

§ 351.20 What is the investment yield (interest) during the original maturity period of Series EE savings bonds with issue dates from January 1, 1980, through April 1, 1995?

The redemption value of a bond on a given interest accrual date during original maturity will be the higher of the value produced using the applicable guaranteed minimum investment yield or the value produced using the appropriate market-based variable investment yield.

(a) *Guaranteed minimum investment yield.* (1) *Bonds bearing issue dates prior to November 1, 1982.* You may

obtain the guaranteed minimum investment yields on bonds bearing issue dates prior to November 1, 1982, by downloading from our website at <www.savingsbonds.gov>, contacting us by email at <savbonds@bpd.treas.gov>, or by writing us at the following address: Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328.

(2) *Bonds bearing issue dates of November 1, 1982, through April 1, 1995.* (i) *Prior to 5 years from issue date.* You may download the guaranteed minimum investment yields prior to 5 years from issue date at our website at <www.savingsbonds.gov>, by contacting

us by email at <savbonds@bpd.treas.gov>, or writing to the following address: Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328.

(ii) *On or after 5 years from issue date.* The guaranteed minimum investment yield of a bond from its issue date to each semiannual interest accrual date occurring on or after 5 years from issue up to original maturity will be as follows, compounded semiannually:

Issue dates of bonds	Percent
Nov. 1, 1982–October 1, 1986 ...	7.5
Nov. 1, 1986–Feb. 1, 1993	6
Mar. 1, 1993–Apr. 1, 1995	4

(b) *Market-based variable investment yield.* If a bond is held for a period of 5 years after its first semiannual interest accrual period, occurring on or after November 1, 1982, or its issue date, whichever is later, its market-based variable investment yield for such period, and to each successive semiannual interest accrual date up to its original maturity, will be determined as follows:

(1) For each 6-month period, starting with the period beginning on May 1, 1982, we will determine the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period.

(2) For bonds bearing an issue date prior to May 1, 1989, the market-based variable investment yield from its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, to its first semiannual interest accrual date 5 years thereafter will be 85 percent, rounded to the nearest one-fourth of 1 percent, of the arithmetic average of the market yield averages for the ten 6-month periods starting with the 6-month period that most recently ended before such issue date, whichever is later.

(3) For bonds bearing issue dates of May 1, 1989, through April 1, 1995, the market-based variable investment yield from the issue date to the semiannual interest accrual date 5 years thereafter will be 85 percent, rounded to the nearest one-hundredth of 1 percent, of the arithmetic average of the market yield averages for the ten 6-month periods starting with the 6-month period that most recently ended before such issue date.

(4) In determining the market-based variable investment yield for a bond from its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, to each successive semiannual interest accrual date occurring after 5 years from issue up to original maturity, the average market yield for each additional 6-month period will be included in the computation.

§ 351.21 How are redemption values determined during any extended maturity period of Series EE savings bonds with issue dates prior to May 1, 1995?

The redemption value of a bond on a given interest accrual date during an

extended maturity period or periods will be the higher of the values produced using either the applicable guaranteed minimum investment yield or the appropriate market-based variable investment yield. The calculation of these yields and the resulting redemption values are described below:

(a) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A bond may be subject to one guaranteed minimum investment yield during its original maturity period and to another such yield during each of its extended maturity periods.

(1) *Bonds entering an extended maturity period from May 1, 1989, through February 1, 1993.* Bonds that entered an extended maturity period from May 1, 1989, through February 1, 1993, had a guaranteed minimum investment yield of 6 percent per annum, compounded semiannually, during that extended maturity period.

(2) *Bonds entering an extended maturity period on or after March 1, 1993.* Bonds that entered or enter an extended maturity period on or after March 1, 1993, have a guaranteed minimum investment yield of 4 percent per annum, compounded semiannually, during that extended maturity period, or the guaranteed minimum investment yield in effect at the beginning of that period.

(3) *Determination of values for a bond during extended maturity periods.* In order to determine values for a bond during its first extended maturity period, we determine the value of the bond at the end of its original maturity period using the guaranteed minimum investment yield applicable to that period. This value is then used as the base upon which interest accrues during the first extended maturity period at the applicable guaranteed minimum investment yield for that period. We use the value thus attained at first extended maturity as the base upon which interest accrues during the second extended maturity period at the applicable guaranteed minimum investment yield for that period. We then compare the resulting semiannual values with the corresponding values determined using only the applicable market-based variable investment yields.

(b) *Market-based variable investment yield and resulting values during an extended maturity period.* For a bond beginning an extended maturity period, the market-based variable investment yield from its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, to each semiannual

interest accrual date occurring on or after November 1, 1989, will be 85 percent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages for the appropriate number of 6-month periods involved, beginning with the period from May 1, 1982, or the 6-month period that most recently ended before the issue date, whichever period occurs later. We use the value of a bond on its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, as the base upon which interest accrues during the extended maturity period at the applicable market-based variable investment yield. As described above, the bond will receive the higher of the two values: One value produced using the applicable market-based variable investment yield; and, the other value produced using the guaranteed minimum investment yield.

§ 351.22 When does the redemption value increase for bonds issued prior to May 1, 1995?

(a) *Bonds with issue dates from January 1, 1980, through October 1, 1980.* For bonds with issue dates from January 1, 1980, through October 1, 1980, the redemption value increases on the first day of each month from the third through the thirtieth month after issue, and thereafter on the first day of each successive 6-month period.

(b) *Bonds with issue dates from November 1, 1980, through October 1, 1986.* For bonds with issue dates from November 1, 1980, through October 1, 1986, the redemption value increases on the first day of each month from the third through the eighteenth month after issue, and thereafter on the first day of each successive 6-month period.

(c) *Bonds with issue dates from November 1, 1986, through February 1, 1993.* For bonds with issue dates from November 1, 1986, through February 1, 1993, the redemption values increase on the first day of each month from the third through the thirtieth month after issue, and thereafter on the first day of each successive 6-month period.

(d) *Bonds with issue dates of March 1, 1993, through April 1, 1995.* For bonds with issue dates of March 1, 1993, through April 1, 1995, the redemption values increase on the first day of each month from the third through the sixtieth month after issue, and thereafter either on the first day of each month or on the first day of each successive 6-month period, whichever accrual schedule ensures that the actual yield from issue date to redemption date

is in no case less than 4 percent per annum, compounded semiannually.

§ 351.23 Are tables of redemption values available for bonds issued prior to May 1, 1995?

You may obtain the appropriate yields and tables by downloading from our website at <www.savingsbonds.gov>, contacting us by email at <savbonds@bpd.treas.gov>, or by writing us at the following address: Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328.

Series EE Savings Bonds With Issue Dates From May 1, 1995, Through April 1, 1997

§ 351.24 What are the maturity periods of bonds with issue dates from May 1, 1995, through April 1, 1997?

(a) *Original maturity.* Bonds reach original maturity at 17 years after issue date.

(b) *Final maturity.* Series EE savings bonds have an extended maturity period of 13 years, and reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

§ 351.25 What were the interest rates and redemption values for bonds with issue dates from May 1, 1995, through April 1, 1997, during semiannual rate periods in the first 5 years after issue date?

(a) *Interest rates.* The interest rate for a Series EE bond bearing an issue date of May 1, 1995, through April 1, 1997, for semiannual earning periods during the first 5 years from issue date, was the short-term savings bond rate (see § 351.11 for a description of the short-term savings bond rate.)

(b) *Redemption values.* Redemption values for semiannual accrual dates occurring on or before 5 years from issue date are calculated in accordance with § 351.28.

§ 351.26 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995 through April 1, 1997, during semiannual rate periods that begin 5 years or more after issue date?

(a) *Interest rates.* The interest rate for a Series EE bond bearing an issue date

of May 1, 1995, through April 1, 1997, for semiannual earning periods beginning 5 years from issue date through original maturity, is the long-term savings bond rate as defined in § 351.12.

(b) *Redemption values.* We calculate redemption values for semiannual accrual dates occurring after 5 years from issue date, through original maturity, in accordance with § 351.28, except that the redemption value at the date of original maturity shall not be less than the denomination (face amount or face value).

§ 351.27 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995, through April 1, 1997, during an extended maturity period?

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued, and will continue to earn interest as described in paragraph § 351.26, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

§ 351.28 How are redemption values calculated for bonds with issue dates from May 1, 1995, through April 1, 1997?

We determine the redemption value of a bond on the accrual date immediately following each semiannual earning period as follows:

(a) We convert the applicable long-term or short-term savings bond rate for the semiannual earning period to decimal form by dividing by 100, and adjust it to a semiannual rate by dividing by 2.

(b) Using redemption values for the base denomination, as defined in § 351.16, we then multiply this rate by the redemption value of the bond at the beginning of the semiannual earning period.

(c) We add the resulting interest amount, rounded to the nearest cent, to the redemption value of the bond at the beginning of the earning period to produce the redemption value at the next semiannual accrual date. The

redemption value of a bond remains constant between accrual dates.

Series EE Savings Bonds With Issue Dates From May 1, 1997, and Thereafter

§ 351.29 What are the maturity periods of bonds with issue dates from May 1, 1997, and thereafter?

(a) *Original maturity.* (1) *Bonds with issue dates from May 1, 1997, to May 1, 2003.* Bonds reach original maturity at 17 years after issue date.

(2) *Bonds with issue dates from June 1, 2003, and thereafter.* Bonds reach original maturity at 20 years after issue date.

(b) *Final maturity.* Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

§ 351.30 What are interest rates and monthly accruals for bonds with issue dates of May 1, 1997, or thereafter, during the original maturity period?

Savings bond rates (defined in § 351.13) apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest is credited on the first day of each month and compounded semiannually. Interest accrues beginning with the fourth month from the issue date. For example, a bond issued in January has interest first credited on May 1, which represents one month of interest because of the 3-month interest penalty. The following table shows, for any given month of issue with rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the announced rate (disregarding the penalty for bonds redeemed prior to 5 years after the issue date) and the months in which the bonds increase in value. This rate is an annual rate compounded semiannually.

If issue month is—	And rate announcement/ effective date is—	Then, semiannual rate periods in which interest is earned include months of—	And bonds increase in value on 1st day of months of—
Jan. or Jul	May 1	Jul. through Dec	Aug. through Jan.
Feb. or Aug	May 1	Aug. through Jan	Sep. through Feb.
Mar. or Sep	May 1	Sep. through Feb	Oct. through Mar.
Apr. or Oct	May 1	Oct. through Mar	Nov. through Apr.
May or Nov	May 1	May through Oct	Jun. through Nov.
Jun. or Dec	May 1	Jun. through Nov	Jul. through Dec.
Jan. or Jul	Nov. 1	Jan. through Jun	Feb. through Jul.
Feb. or Aug	Nov. 1	Feb. through Jul	Mar. through Aug.
Mar. or Sep	Nov. 1	Mar. through Aug	Apr. through Sep.
Apr. or Oct	Nov. 1	Apr. through Sep	May through Oct.
May or Nov	Nov. 1	Nov. through Apr	Dec. through May.

If issue month is—	And rate announcement/ effective date is—	Then, semiannual rate periods in which in- terest is earned include months of—	And bonds increase in value on 1st day of months of—
Jun. or Dec	Nov. 1	Dec. through May	Jan. through Jun.

§ 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, or thereafter, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, or thereafter, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. For example, if you redeem a bond issued January 1, 1998, 9 months later on October 1, 1998, we will determine the redemption value by applying the redemption value calculation formula described in § 351.32 and the savings bonds rate for that bond at 6 months after the issue date on July 1, 1998. The redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 years or more after the issue date.

§ 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, or thereafter?

(a) *Formula for redemption value.* We determine the redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the issue date) in accordance with this section and the following formula:

$$FV = PV \times \{ [1 + (i \div 2)] \}^{(m/6)}$$

where

FV (future value) = redemption value on redemption date rounded to the nearest cent.

PV (present value) = redemption value at the beginning of the semiannual rate period

i = savings bonds rate converted to decimal form by dividing by 100.

m = number of full calendar months outstanding during the semiannual rate period.¹

¹ The following hypothetical example illustrates how this formula is applied:

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at \$25, with an issue date of September 1, 1997 and a redemption value of \$16.00 as of September 1, 2002. The February 1, 2003, redemption value is calculated as follows: Bonds issue dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05.

(b) *Value of bonds at original maturity.* (1) *Definitive bond.* At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) *Book-entry bond.* At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

§ 351.33 What are interest rates and redemption values for bonds issued May 1, 1997, or thereafter, during an extended maturity period?

During an extended maturity period the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in § 351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

§ 351.34–351.39 [Reserved]

Subpart C—Definitive Series EE Savings Bonds

§ 351.40 What are the denominations and prices of definitive Series EE savings bonds?

We issue definitive bonds in denominations of \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. The purchase price is one-half the amount of the denomination.

§ 351.41 When are definitive Series EE savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in 31 CFR part 353, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 351.42 What is the issue date of a definitive Series EE savings bond?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent receives payment of the issue price.

The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. FV is then the result of the formula:

$$FV = \$16.00 \times \{ [1 + (0.05 \div 2)] \}^{(5/6)} = \$16.33$$

after rounding to the nearest cent.

Using the example, the FV of a savings bond with a \$50 or larger denomination can be determined by applying the appropriate multiple, for example: \$16.33 × (\$50.00/\$25.00) for a bond with a \$50.00 face amount; or \$16.33 × (\$100.00/\$25.00) for a bond with a \$100.00 face amount.

§ 351.43 Are taxpayer identification numbers (TINs) required for the registration of definitive Series EE savings bonds?

The inscription of a definitive bond must include the TIN of the owner or first-named coowner. The TIN of the second-named coowner or beneficiary is not required but its inclusion is desirable. If the bond is being purchased as a gift or award and the owner's TIN is not known, the TIN of the purchaser must be included in the inscription on the bond.

§ 351.44 What amount of definitive Series EE savings bonds may I purchase per year?

The principal amount of definitive bonds that you may purchase in any calendar year is limited to \$30,000. See 31 CFR 353.10 and 353.11 of this Chapter for rules governing the computation of amounts and the special limitation for employee plans.

§ 351.45 What happens if I purchase definitive Series EE savings bonds in excess of the maximum annual amount?

If you have bonds issued during any one calendar year in excess of the prescribed maximum annual amount, we reserve the right to take any action we deem necessary to adjust the excess. You should obtain instructions for adjustment of the excess from us at the following address: email at <savbonds@bpd.treas.gov>, or writing to Bureau of the Public Debt, Parkersburg, WV 26106–1328, or.

§ 351.46 May I purchase definitive Series EE savings bonds over-the-counter?

You may purchase definitive bonds over-the-counter through any issuing agent qualified under 31 CFR part 317.² To purchase over-the-counter, you must submit a purchase application, along with payment in the amount of the issue price to an issuing agent. You may use any means of payment acceptable to the issuing agent. You may authorize purchases on a recurring basis in your application. The issuing agent bears the burden of collection and the risk of loss for non-collection or return of the payment.

² However, an organization serving as an issuing agent because of its status as an employer or an organization operating an employer's payroll savings plan under § 317.2(c) may sell bonds only through payroll savings plans.

§ 351.47 May I purchase definitive Series EE savings bonds through a payroll savings plan?

You may purchase definitive bonds in denominations of \$100 or higher through deductions from your pay if your employer maintains a payroll savings plan. An authorized issuing agent must issue the bonds.

§ 351.48 May I purchase definitive Series EE savings bonds through employee thrift, savings, vacation, and similar plans?

You may purchase bonds registered in the names of trustees of employee plans in book-entry form in multiples of \$100 through a designated Federal Reserve Bank, after we have approved the plan as eligible for the special limitation under § 353.13 of this chapter.

§ 351.49 How are definitive Series EE savings bonds delivered?

We deliver definitive bonds by mail to your address. If your address is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, we will deliver bonds at our risk. Bonds delivered elsewhere will be delivered at your risk; however, at our discretion, we may require delivery to an address within the United States, or refuse delivery to addresses in countries referred to in part 211 of this chapter.

§ 351.50 How is payment made when definitive Series EE savings bonds are redeemed?

(a) *Payment in general.* A financial institution qualified as a paying agent under the provisions of 31 CFR part 321 will pay the current redemption value of a definitive Series EE bond presented for payment. The bond must meet the requirements for payment specified in 31 CFR part 353. You must establish your identity and entitlement to redemption to the satisfaction of the agent, in accordance with our instructions and identification guidelines, and must sign and complete the request for payment.

(b) *Payment to beneficiary or legal representative.* A paying agent may, but is not required to, pay the current redemption value of a definitive Series EE savings bond upon the request of a beneficiary if he or she survives the owner, or a legal representative designated in the bond registration by name and capacity, or a court-appointed legal representative of the last-deceased registrant's estate provided:

- (1) The bond is in order for payment; and
- (2) The presenter establishes his or her identity to the satisfaction of the agent in accordance with our instructions and identification

guidelines, and signs and completes the request for payment.

§ 351.51 How can I find out what my definitive Series EE savings bonds are worth?

(a) *Redemption values.* We make redemption values available for definitive bonds in various formats and media.

(1) You may determine the redemption value for definitive bonds on the Internet at <http://www.savingsbonds.gov>.

(2) You may download savings bond calculators from the Internet at <http://www.savingsbonds.gov>.

(3) You may obtain paper tables from the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328. We reserve the right to cease making paper tables of redemption values available.

(b) *Redemption penalty.* For bonds issued after May 1, 1997, redemption values published in the tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the issue date.

§ 351.52–351.59 [Reserved]**Subpart D—Book-Entry Series EE Savings Bonds****§ 351.60 How are book-entry Series EE savings bonds purchased and held?**

Book-entry bonds must be purchased and held online through your New Treasury Direct account. We provide instructions for opening an account online at <http://www.publicdebt.treas.gov>.

§ 351.61 What are the denominations and prices of book-entry Series EE savings bonds?

Book-entry bonds are issued in a minimum amount of \$25, with additional increments of one cent.

§ 351.62 How is payment made for purchases of book-entry Series EE savings bonds?

Purchases of book-entry EE bonds are made through your New Treasury Direct account. We will debit your designated account at a United States depository financial institution for payment of the bonds.

§ 351.63 How are redemption payments made for my redeemed book-entry Series EE savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution.

§ 351.64 What is the issue date of a book-entry Series EE savings bond?

The issue date of a book-entry savings bond is the first day of the month in which we receive ACH settlement for the bond.

§ 351.65 What amount of book-entry Series EE savings bonds may I acquire per year?

The principal amount of book-entry bonds that you may acquire in any calendar year is limited to \$30,000.

§ 351.66 What book-entry Series EE savings bonds are included in the computation?

(a) We include all bonds that you purchased in that calendar year.

(b) Bonds purchased as gifts or in a fiduciary capacity are not included in the computation for the purchaser.

(c) Bonds transferred or delivered from one New Treasury Direct account to another New Treasury Direct account are included in the computation for the recipient, unless the recipient has become entitled to the transferred bonds due to the death of the registered owner.

§ 351.67 What happens if any person purchases book-entry Series EE savings bonds in excess of the maximum annual amount?

We reserve the right to take any action we deem necessary to adjust the excess, including the right to remove the excess bonds from your New Treasury Direct account and refund the payment price to your bank account of record using the ACH method of payment.

§ 351.68 Are taxpayer identification numbers (TINs) required for registration of book-entry Series EE savings bonds?

The TIN of each person named in the registration is required to purchase a book-entry bond.

§ 351.69 When is a book-entry Series EE savings bond validly issued?

A book-entry bond is validly issued when it is posted to your New Treasury Direct account.

§ 351.70 How are redemption values calculated for book-entry Series EE savings bonds?

We base current redemption values (CRV) for book-entry Series EE savings bonds on the definitive savings bond CRV. We use the CRV for a \$100 principal amount as calculated in § 351.16 to calculate a CRV prorated to the book-entry principal investment amount for the corresponding issue and redemption dates. Calculated book-entry

CRV will be rounded to the nearest one cent.³ The formula is as follows:
 [Book-entry principal investment + \$100] × [CRV value for \$100 principal amount].

§ 351.71 How can I find out what my book-entry Series EE savings bonds are worth?

(a) *Redemption values.* You may access redemption values for your book-entry bonds through your New Treasury Direct account.

(b) *Redemption penalty.* Redemption values shown in your New Treasury Direct account for bonds that are within 5 years from issue date reflect the three-month interest penalty applied to bonds redeemed prior to five years from the issue date.

§ 351.72–351.80 [Reserved]

Subpart E—Miscellaneous Provisions

§ 351.81 Is the Education Savings Bond Program available for Series EE savings bonds?

You may be able to exclude from income for Federal income tax purposes all or part of the interest received on the redemption of qualified bonds during the year. To qualify for the program, you or the coowner (in the case of definitive savings bonds) must have paid qualified higher education expenses during the

same year. You also must have satisfied certain other conditions. This exclusion is known as the Education Savings Bond Program. Information about the program can be found in Internal Revenue Service Publications. (For example, see Publication 17, “Your Federal Income Tax,” Publication 550, “Investment Income and Expenses,” and Publication 970, “Tax Benefits for Higher Education.”) These publications are available on the IRS Web site at <<http://www.irs.gov>>.

§ 351.82 Does Public Debt prohibit the issuance of Series EE savings bonds in a chain letter scheme?

We do not permit bonds to be issued in a chain letter or pyramid scheme. We authorize an issuing agent to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is connected with a chain letter. The agent’s decision is final.

§ 351.83 May Public Debt issue Series EE savings bonds only in book-entry form?

We reserve the right to issue bonds only in book-entry form.

§ 351.84 Does Public Debt make any reservations as to issue of Series EE savings bonds?

We may reject any application for Series EE bonds, in whole or in part. We

may refuse to issue, or permit to be issued, any bonds in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

§ 351.85 May Public Debt waive any provision in this part?

We may waive or modify any provision of this part in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

- (a) If such action would not be inconsistent with law or equity;
- (b) If it does not impair any material existing rights; and
- (c) If we are satisfied that such action would not subject the United States to any substantial expense or liability.

§ 351.86 What is the role of Federal Reserve Banks and Branches?

(a) Federal Reserve Banks and Branches are fiscal agents of the United States. They are authorized to perform such services as we may request of them, in connection with the issue, servicing and redemption of Series EE bonds.

(b) We have currently designated the following Federal Reserve Offices to provide savings bond services:

Servicing site	Reserve district served	Geographic area served
Federal Reserve Bank, Buffalo Branch, 160 Delaware Avenue, Buffalo, NY 14202.	New York, Boston	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey (northern half), New York, Rhode Island, Vermont, Puerto Rico, Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, 717 Grant Street, Pittsburgh, PA 15219.	Cleveland, Philadelphia	Delaware, Kentucky (eastern half), New Jersey, (southern half), Ohio, Pennsylvania, West Virginia (northern panhandle only).
Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219.	Richmond, Atlanta	Alabama, District of Columbia, Florida, Georgia, Louisiana (southern half), Maryland, Mississippi (southern half), North Carolina, South Carolina, Tennessee (eastern half), Virginia, West Virginia (except northern panhandle).
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, MN 55401.	Minneapolis, Chicago.	Illinois (northern half), Indiana (northern half), Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota, Wisconsin.
Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, MO 64106.	Dallas, San Francisco, Kansas City, St. Louis.	Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois (southern half), Indiana (southern half), Indiana (southern half), Kansas, Kentucky (western half), Louisiana (northern half), Mississippi (northern half), Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee (western half), Texas, Utah, Washington, Wyoming, Guam.

§ 351.87 May Public Debt revise, supplement or amend the terms of this offering?

We may revise, supplement or amend the terms of this offering at any time.

Appendix to Part 351—Tax Considerations

1. What are some general tax considerations?

General. Interest on savings bonds is subject to taxes imposed under the Internal Revenue Code of 1986, as amended. The

bonds are exempt from taxation by any State or political subdivision of a State, except for estate or inheritance taxes. (See 31 U.S.C. 3124.)

2. What reporting methods are available for savings bonds?

(a) *Reporting methods.* You may use either of the following two methods for reporting

³ Example: Calculated value of \$25.044 rounds to \$25.04; calculated value of \$25.045 rounds to \$25.05.

the increase in the redemption value of the bond for Federal income tax purposes:

(1) *Cash basis method.* You may defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earliest; or

(2) *Accrual basis method.* You may elect to report the increase each year, in which case the election applies to all Series EE bonds that you then own, those subsequently acquired, and to any other obligations purchased on a discount basis.

(b) *Changing methods.* If you use the cash basis method, you may change to the accrual basis method without obtaining permission from the Internal Revenue Service. However, once you elect to use the accrual basis method in paragraph (a)(2), you may change the method of reporting the increase only by following the specific procedures prescribed by the Internal Revenue Service for making a method change. For further information, you may contact the Internal Revenue Service director for your area, or the Internal Revenue Service, Washington, DC 20224.

3. *What transactions have potential tax consequences?*

The following types of transactions, among others, may have potential tax consequences:

(a) A reissue that affects the rights of any of the persons named on a definitive Series EE savings bond may have tax consequences for the owner.

(b) The transfer of a book-entry Series EE savings bond from one owner to another may have tax consequences for the transferor.

(c) The redemption of a book-entry Series EE savings bond by the secondary owner may have tax consequences for the primary owner.

(d) The purchase of a Series EE savings bond as a gift may have gift tax consequences.

PART 353—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES EE AND HH

■ 5. The authority citation for part 353 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3125.

■ 6. Revise § 353.0 to read as follows:

§ 353.0 Applicability.

(a) The regulation in this part govern definitive (paper) United States Savings Bonds of Series EE and Series HH. These bonds bear issue dates of January 1, 1980, or thereafter.

(b) The regulations in 31 CFR part 315 govern all other definitive United States Savings Bonds and Savings Notes.

(c) The regulations in 31 CFR part 363 govern Series EE savings bonds held in book-entry form in New Treasury Direct.

■ 7. Amend § 353.2 by revising paragraph (a) to read as follows:

§ 353.2 Definitions.

(a) *Bond, or Series EE or HH savings bond,* as used in this part, means a

definitive United States Savings Bond of Series EE or HH.

* * * * *

■ 8. Amend § 353.10 (a) by removing the parenthetical term “face amount” and adding in its place the parenthetical term “principal amount” in the introductory paragraph.

■ 9. Amend § 353.11 by revising paragraph (b)(3) to read as follows:

§ 353.11 Computation of amount.

* * * * *

(b) * * *

(3) All bonds registered in the name of that person as first-named coowner.

* * * * *

■ 10. Revise § 353.12 to read as follows:

§ 353.12 Disposition of excess.

If any person at any time has savings bonds issued during any one calendar year in excess of the prescribed amount, the Bureau of the Public Debt reserves the right to take any action that it deems necessary to adjust the excess.

Instructions for adjustment of the excess can be obtained by email at <savbonds@bpd.treas.gov> or by writing to Bureau of the Public Debt, Parkersburg, WV 26106–1328.

■ 11. Revise § 353.71 to read as follows:

§ 353.71 Decedent's estate

(a) *Estate is being administered.* (1) Appropriate proof of appointment will be required for the legal representative of the estate. Letters of appointment must be dated within one year of submission.

(2) The bonds will be registered in the following form: “John Doe, SSN 123–45–6789, Legal Representative of the estate of James Doe, deceased, SSN 987–65–4321.”

(3) The legal representative of the estate may request payment of bonds and held payments belonging to a decedent's estate, to the estate or to the person(s) entitled, or may have the bonds reissued to the person(s) entitled.

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of bonds or may have the bonds reissued to the person(s) entitled. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence will be required.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of bonds or may

have the bonds reissued to the person(s) entitled. Appropriate evidence is required.

(d) *Survivors' order of precedence for payment or transfer.* Estates with bonds over \$100,000 redemption value must be administered. If there has been no administration, no administration is pending or contemplated, no summary or small estate procedures have been used, and the redemption value of the bonds is \$100,000 or less, then bonds may be paid or reissued to the persons named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendant of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class;

(3) There is no surviving spouse and there is a surviving child or descendant of deceased children: to the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: to the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: to the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: to other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: to persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and

sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage; to the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person has not been reimbursed. Transfers are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments or reissues according to paragraph (d) of this section, we will make the payments to either a person individually, or individually and on behalf of all other persons entitled. A person who receives payment of bond proceeds individually and on behalf of others warrants that he or she will make distribution of the proceeds to the persons entitled by the law of the decedent's domicile. The provisions of this section are for the convenience of the United States and do not determine ownership of the bonds or their proceeds. The Department of the Treasury may rely on information provided by the person who requests payment or transfer, and is not liable for any action taken in reliance on the information furnished.

§ 353.72 [Reserved]

- 12. Remove and reserve § 353.72.

PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I

- 13. The authority citation for part 359 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

- 14. Revise § 359.50 to read as follows:

§ 359.50 What amount of book-entry Series I savings bonds may I acquire per year?

The principal amount of book-entry bonds that you may acquire in any calendar year is limited to \$30,000.

- 15. Revise § 359.51 to read as follows:

§ 359.51 What book-entry Series I savings bonds are included in the computation?

(a) We include all bonds that you purchased in that calendar year.

(b) Bonds purchased as gifts or in a fiduciary capacity are not included in the computation for the purchaser.

(c) Bonds transferred or delivered from one New Treasury Direct account to another New Treasury Direct account are included in the computation for the recipient, unless you have become entitled to the transferred bonds due to the death of the registered owner.

§ 359.65 [Reserved]

- 16. Remove and reserve § 359.65.
- 17. Revise Appendix D to Part 359, Section 1, to read as follows:

Appendix D to Part 359—Tax Considerations

1. What are some general tax considerations?

Interest on savings bonds is subject to taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are exempt from taxation by any State or political subdivision of a State, except for estate or inheritance taxes. (See 31 U.S.C. 3124.)

* * * * *

PART 360—REGULATIONS GOVERNING DEFINITIVE UNITED STATES SAVINGS BONDS, SERIES I

- 18. The authority citation for part 360 continues to read as follows:

Authority: 5 U.S.C. 301; 31 U.S.C. 3105 and 3125.

- 19. Revise § 360.71 to read as follows:

§ 360.71 Decedent's estate.

(a) *Estate is being administered.* (1) Appropriate proof of appointment will be required for the legal representative of the estate. Letters of appointment must be dated within one year of submission.

(2) The bonds will be registered in the following form: "John Doe, SSN 123-45-6789, Legal Representative of the estate of James Doe, deceased, SSN 987-65-4321."

(3) The legal representative of the estate may request payment of bonds and held payments belonging to a decedent's estate to the estate or to the person(s) entitled, or may have the bonds reissued to the person(s) entitled.

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of bonds or may have the bonds reissued to the person(s) entitled. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence will be required.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of bonds or may have the bonds reissued to the person(s) entitled. Appropriate evidence is required.

(d) *Survivors' order of precedence for payment or transfer.* Estates with bonds over \$100,000 redemption value must be administered. If there has been no

administration, no administration is pending or contemplated, no summary or small estate procedures have been used, and the redemption value of the bonds is \$100,000 or less, then bonds may be paid or reissued to the persons named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendant of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: One-half to the surviving spouse and one-half to the child or children of the decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class;

(3) There is no surviving spouse and there is a surviving child or descendant of deceased children: to the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: To the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: to the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: To other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: To persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: To the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be

made only to the extent that the person has not been reimbursed. Transfers are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments or reissues according to paragraph (d) of this section, we will make the payments to either a person individually, or individually and on behalf of all other persons entitled. A person who receives payment of bond proceeds individually and on behalf of others warrants that he or she will make distribution of the proceeds to the persons entitled by the law of the decedent's domicile. The provisions of this section are for the convenience of the United States and do not determine ownership of the bonds or their proceeds. The Department of the Treasury may rely on information provided by the person who requests payment or transfer, and is not liable for any action taken in reliance on the information furnished.

§ 360.72 [Reserved]

- 20. Remove and reserve § 360.72.

PART 363—REGULATIONS GOVERNING SECURITIES HELD IN THE NEW TREASURY DIRECT SYSTEM

- 21. The authority citation for part 363 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3102, *et seq.*, 3105 and 3125.

- 22. Revise § 363.3 to read as follows:

§ 363.3 What Treasury securities may be held in New Treasury Direct?

Book-entry Series EE and I savings bonds may be held in New Treasury Direct.

- 23. Amend § 363.6 by adding the following definition in alphabetical order:

§ 363.6 What special terms do I need to know to understand this part?

* * * * *

Series EE savings bond is an accrual-type savings bond, either in definitive (paper) form or in book-entry form, that pays interest on the principal based on rates determined by Treasury.

* * * * *

- 24. Amend § 363.34 by removing the word "written" from the section.

§ 363.38 [Amended]

- 25. Amend the section heading for § 363.38 by removing the term "Series I" from the heading.

§ 363.51 [Amended]

- 26. Amend the section heading for § 363.51 by removing the term "Series I" from the heading.

§§ 363.53–363.54 [Amended]

- 27. Amend the section headings for §§ 363.53–363.54 by removing the term "Series I" from each heading.

§§ 363.56–363.58 [Amended]

- 28. Amend the section headings for §§ 363.56–363.58 by removing the term "Series I" from each heading.

§§ 363.65–363.66 [Amended]

- 29. Amend the section headings for §§ 363.65–363.66 by removing the term "Series I" from each heading.

§§ 363.80–363.83 [Amended]

- 30. Amend the section headings for §§ 363.80–363.83 by removing the term "Series I" from each heading.

§ 363.85 [Amended]

- 31. Amend the section heading for § 363.85 by removing the term "Series I" from the heading.

§ 363.90 [Amended]

- 32. Amend the section heading for § 363.90 by removing the term "Series I" from the heading.

§ 363.95 [Amended]

- 33. Amend the section heading for § 363.95 by removing the term "Series I" from the heading.

§ 363.97 [Amended]

- 34. Amend the section heading for § 363.97 by removing the term "Series I" from the heading.

§§ 363.105–363.106 [Amended]

- 35. Amend the section heading for §§ 363.105–363.106 by removing the term "Series I" from each heading.

§§ 363.111–363.113 [Amended]

- 36. Amend the section heading for §§ 363.111–363.113 by removing the term "Series I" from each heading.

§ 363.125 [Amended]

- 37. Amend the section heading for § 363.125 by removing the term "Series I" from the heading.

Subpart C—Book-Entry Savings Bonds Purchased Through New Treasury Direct

- 38. Amend the heading for Subpart C by revising it to read as set forth above.
- 39. Revise § 363.50 to read as follows:

§ 363.50 What Treasury securities does this subpart cover?

This subpart covers Series EE and I book-entry savings bonds. The offering of Series EE savings bonds is contained in 31 CFR part 351. The offering of Series I savings bonds is contained in 31 CFR part 359.

- 40. Amend § 363.52 by revising the heading and paragraph (a) to read as follows:

§ 363.52 What amount of book-entry Series EE and I savings bonds may I purchase in one year?

(a) *Purchase limitation.* The amount of bonds that you may purchase in any calendar year is limited to \$30,000 for Series EE savings bonds, and \$30,000 for Series I savings bonds.

* * * * *

- 41. Amend § 363.55(b) and (d) by removing the term "Series I" from the text of each paragraph.

§ 363.95 [Amended]

- 42. Amend § 363.95 by removing the term "Series I" from the introductory sentence.

§ 363.111 [Amended]

- 43. Amend § 363.111 by removing the term "Series I" from the text of the section.

§ 363.112 [Amended]

- 44. Amend § 363.112 by removing the term "Series I" from the text of the section.

§ 363.114 [Amended]

- 45. Amend § 363.114 by removing the term "Series I" from the first sentence.

Dated: May 2, 2003.

Donald V. Hammond,

Fiscal Assistant Secretary.

[FR Doc. 03–11403 Filed 5–5–03; 11:29 am]

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