

# Publication 1212

## Guide to Original Issue Discount (OID) Instruments Benefits

(Rev. January 2024)

Volume 1 of 2



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Section references are to the Internal Revenue Code unless otherwise noted.

## **Future Developments**

For the latest information about developments related to Pub. 1212, such as legislation enacted after it was published, go to [IRS.gov/ Pub1212](https://www.irs.gov/pub1212).

## **Photographs of Missing Children**

The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

## **Introduction**

This publication has two purposes. Its primary purpose is to help brokers and other middlemen identify publicly offered original issue discount (OID) debt instruments they may hold as nominees for the true owners, so they can file Forms 1099-OID or Forms 1099-INT, as required. The other purpose of the publication is to help owners of publicly offered OID debt instruments determine how

much OID to report on their income tax returns.

**Original issue discount (OID) tables.** The tables of publicly offered OID debt instruments (OID tables) are available at [IRS.gov/Pub1212](https://www.irs.gov/pub1212), by clicking the link under Recent Developments. Details about the deadlines to furnish and file information returns that rely on these tables and how to obtain an extension to these deadlines can be found in the [2023 General Instructions for Certain Information Returns](https://www.irs.gov/1099GeneralInstructions), available at [IRS.gov/1099GeneralInstructions](https://www.irs.gov/1099GeneralInstructions). The information in the OID tables comes from the issuers of the debt instruments and from financial publications and is updated annually. (However, see *Debt Instruments Not in the OID Tables*, later.)

Brokers and other middlemen can rely on the OID tables to determine, for information reporting purposes, whether a debt instrument was issued at a discount and the

OID to be reported on information returns. However, because the information in the OID tables has generally not been verified by the IRS as correct, the following tax matters are subject to change upon examination by the IRS.

- The OID reported by owners of a debt instrument on their income tax returns.
- The issuer's classification of an instrument as debt for federal income tax purposes.
- The adjusted basis of a debt instrument.

**Instructions for issuers of OID debt instruments.** In general, issuers of publicly offered OID debt instruments must file Form 8281 within 30 days after the date of issuance, and, if registered with the Securities and Exchange Commission (SEC), within 30 days after registration with the SEC. A separate Form 8281 must be filed for each issuance or SEC registration. For more



information, see Form 8281 and its instructions, available at [IRS.gov/Form8281](https://www.irs.gov/Form8281).



Issuers should report errors in and omissions from the list in writing at the following address:

IRS OID Publication Project  
SE:W:CAR:MP:TFP  
1111 Constitution Ave. NW, IR-6526  
Washington, DC 20224

**REMIC and CDO information reporting requirements.** Brokers and other middlemen must follow special information reporting requirements for real estate mortgage investment conduit (REMIC) regular interests, and collateralized debt obligation (CDO) interests. The rules are explained in Pub. 938.

Holders of interests in REMICs and CDOs should see chapter 1 of [Pub. 550](#) for information on REMICs and CDOs.

**Comments and suggestions.** We welcome your comments about this publication and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications.

**Don't** send tax questions, tax returns, or payments to the above address.

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## **Useful Items**

You may want to see:

### **Publication**

- ☐ **515** Withholding of Tax on Nonresident Aliens and Foreign Entities

- ☐ **550** Investment Income and Expenses
- ☐ **938** Real Estate Mortgage Investment Conduits (REMICs) Reporting Information (And Other Collateralized Debt Obligations (CDOs))

## **Form (and Instructions)**

- ☐ **1096** Annual Summary and Transmittal of U.S. Information Returns
- ☐ **1099-B** Proceeds From Broker and Barter Exchange Transactions
- ☐ **1099-INT** Interest Income
- ☐ **1099-OID** Original Issue Discount
- ☐ **8281** Information Return for Publicly Offered Original Issue Discount Instruments
- ☐ **8949** Sales and Other Dispositions of Capital Assets

- ❑ **Schedule B (Form 1040)** Interest and Ordinary Dividends
- ❑ **Schedule D (Form 1040)** Capital Gains and Losses
- ❑ **W-8** Instructions for the Requester of Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP, and W-8IMY

See *How To Get Tax Help* at the end of this publication for information about getting publications and forms.

## **Definitions**

The following terms are used throughout this publication. “Original issue discount” is defined first. The other terms are listed alphabetically.

**Original issue discount (OID).** OID is a form of interest. It is the excess of a debt instrument's stated redemption price at maturity over its issue price (acquisition price for a stripped bond or coupon). Zero coupon

bonds and debt instruments that pay no stated interest until maturity are examples of debt instruments that have OID.

**Accrual period.** An accrual period is an interval of time used to measure OID. The length of an accrual period can be 6 months, a year, or some other period no longer than 1 year, depending on when the debt instrument was issued.

**Acquisition premium.** Acquisition premium is the excess of a debt instrument's adjusted basis immediately after purchase, including purchase at original issue, over the debt instrument's adjusted issue price at that time. A purchaser reduces any OID income by the acquisition premium, as discussed under *Information for Owners of OID Debt Instruments*, later.

If the purchaser's adjusted basis exceeds the total of all amounts payable under the debt instrument (other than qualified stated interest) after the date of purchase, then the

debt instrument has premium instead of acquisition premium. See Premium, later.

**Adjusted issue price.** The adjusted issue price of a debt instrument at the beginning of an accrual period is used to figure the OID allocable to that period. In general, the adjusted issue price at the beginning of the debt instrument's first accrual period is its issue price. The adjusted issue price at the beginning of any subsequent accrual period is the sum of the issue price and all the OID includible in income before that accrual period minus any payment previously made on the debt instrument, other than a payment of qualified stated interest.

**Debt instrument.** The term “debt instrument” means any instrument or contractual arrangement that constitutes indebtedness under general principles of federal income tax law (including, for example, a bond, debenture, note, certificate, or other evidence of indebtedness). It

generally does not include an annuity contract.

**Issue price.** For debt instruments listed in *Section I-A* and *Section I-B*, of the Final Release of Original Issue Discount (OID) Tables, the issue price is generally the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of these instruments was sold.

**Market discount.** A debt instrument is generally acquired with market discount if its stated redemption price at maturity is greater than its basis after its acquisition. In general, a debt instrument is purchased in the secondary market at a market discount when the value of the debt instrument has decreased since the instrument's issue date (for example, because of an increase in interest rates). An OID debt instrument generally has market discount if your adjusted basis in the debt instrument immediately after you acquired it (usually its



purchase price) was less than the debt instrument's issue price plus the total OID that accrued before you acquired it. The market discount is the difference between the issue price plus accrued OID and your adjusted basis.

**Premium.** A debt instrument is purchased at a premium if its adjusted basis immediately after purchase is greater than the total of all amounts payable on the debt instrument after the purchase date, other than qualified stated interest. The premium is the excess of the adjusted basis over the payable amounts.

Premium will generally eliminate the future reporting of OID in income by the purchaser, as discussed under *Information for Owners of OID Debt Instruments*, later. See [Pub. 550](#) for more information on the tax treatment of bond premium.

**Qualified stated interest.** In general, qualified stated interest is stated interest that is unconditionally payable in cash or property

(other than debt instruments of the issuer) at least annually over the term of the debt instrument at a single fixed rate.

**Stated redemption price at maturity.** A debt instrument's stated redemption price at maturity is the sum of all amounts (principal and interest) payable on the debt instrument, other than qualified stated interest.

**Yield to maturity (YTM).** In general, the YTM is the discount rate that, when used in figuring the present value of all principal and interest payments, produces an amount equal to the issue price of the debt instrument. The YTM is generally shown on the face of the debt instrument or in the literature you receive from your broker. If you do not have this information, consult your broker, tax advisor, or the issuer.

# Debt Instruments in the OID Tables

The OID tables, available at [IRS.gov/Pub1212](https://www.irs.gov/pub1212), under Recent Developments, can be used by brokers and other middlemen to prepare information returns.



*If you own a debt instrument included in the tables, you generally should not rely on the information in the OID tables to determine (or compare) the OID to be reported on your tax return, but you should use, as a starting point, the information supplied to you on Form 1099-OID. The OID amounts listed are figured without reference to the price or date at which you acquired the debt instrument. For information about determining the OID to be reported on your tax return, see the instructions for figuring OID under*

Information for Owners of OID Debt Instruments, later.

The following discussions explain what information is contained in each section of the tables.

**Section I.** This section contains publicly offered, long-term debt instruments.

- Section I-A: Corporate Debt Instruments Issued Before 1985.
- Section I-B: Corporate Debt Instruments Issued After 1984.
- Taxable obligations issued by a state or a local government.
- Section I-C: Inflation-Indexed Debt Instruments.

For each publicly offered debt instrument in *Section I*, the list contains the following information.

- The name of the issuer.

- The Committee on Uniform Security Identification Procedures (CUSIP) number.
- The issue date.
- The maturity date.
- The issue price expressed as a percent of principal or of stated redemption price at maturity.
- The annual stated or coupon interest rate. (This rate is shown as 0.00 if no annual interest payments are provided.)
- The YTM will be added to Section I-B for bonds issued after December 31, 2006.
- The total OID accrued up to January 1 of a calendar year. (This information is not available for every instrument.)
- For long-term debt instruments issued after July 1, 1982, the daily OID for the accrual periods falling in a calendar year and a subsequent year.

- The total OID per \$1,000 of principal or maturity value for a calendar year and a subsequent year.

**Section II.** This section contains stripped coupons and principal components of U.S. Treasury and Government-Sponsored Enterprise debt instruments. These stripped components are available through the Department of the Treasury's Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and government-sponsored enterprises such as the Resolution Funding Corporation. This section also includes debt instruments backed by U.S. Treasury securities that represent ownership interests in those securities.

The obligations listed in *Section II* are arranged by maturity date. The amounts listed are the total OID for a calendar year per \$1,000 of redemption price.

**Section III.** This section contains short-term discount obligations.

Section III-A: Short-Term U.S. Treasury Bills.

- Section III-B: Federal Home Loan Banks.
- Section III-C: Federal National Mortgage Association.
- Section III-D: Federal Farm Credit Banks.
- Section III-E: Federal Home Loan Mortgage Corporation.
- Section III-F: Federal Agricultural Mortgage Corporation.



Information that supplements *Section III-A* is available on the Internet at [TreasuryDirect.gov/tdhome.htm](http://TreasuryDirect.gov/tdhome.htm).

The short-term obligations listed in this section are arranged by maturity date. For each obligation, the list contains the CUSIP number, maturity date, issue date, issue price (expressed as a percent of principal), and

discount to be reported as interest for a calendar year per \$1,000 of redemption price. Brokers and other middlemen should rely on the issue price information in *Section III* only if they are unable to determine the price actually paid by the owner.

## **Debt Instruments Not in the OID Tables**

The list of debt instruments discussed earlier does not contain the following items.

- U.S. savings bonds.
- Certificates of deposit and other face-amount certificates issued at a discount, including syndicated certificates of deposit.
- Obligations issued by tax-exempt organizations.
- OID debt instruments that matured or were entirely called by the issuer before



the tables were posted on the IRS website.

- Mortgage-backed securities and mortgage participation certificates.
- Short-term obligations, other than the obligations listed in *Section III*.
- Debt instruments issued at a discount by states or their political subdivisions if these debt instruments are tax-exempt obligations.
- REMIC regular interests and CDOs.
- Commercial paper and banker's acceptances issued at a discount.
- Obligations issued at a discount by individuals.
- Foreign obligations not traded in the United States and obligations not issued in the United States.

# Information for Brokers and Other Middlemen

The following discussions contain specific instructions for brokers and middlemen who hold or redeem a debt instrument for the owner.

In general, you must file a Form 1099-INT or Form 1099-OID for the debt instrument if the interest or OID to be included in the owner's income for a calendar year totals \$10 or more.

You must also file a Form 1099-INT or Form 1099-OID if you were required to deduct and withhold tax, even if the interest or OID is less than \$10. See *Backup Withholding*, later.

If you must file a Form 1099-INT or Form 1099-OID, furnish a copy to the owner of the debt instrument by January 31 in the year it is due, or February 15 in the year it is due if the Form 1099-INT or Form 1099-OID is

furnished as part of a consolidated reporting statement. File all your Forms 1099 with the IRS, accompanied by Form 1096, by February 28 in the year they are due (March 31 if you file electronically).

**Electronic payee statements.** You can issue Form 1099-INT or Form 1099-OID electronically with the consent of the recipient.

**More information.** For more information, including penalties for failure to file (or furnish) required information returns or statements, see the current [\*General Instructions for Certain Information Returns\*](#), available at [\*IRS.gov/1099GeneralInstructions\*](https://www.irs.gov/1099GeneralInstructions).

## **Short-Term Obligations Redeemed at Maturity**

If you redeem a short-term discount obligation for the owner at maturity, you

must report the discount as interest on Form 1099-INT.

To figure the discount, use the purchase price shown on the owner's copy of the purchase confirmation receipt or similar record, or the price shown in your transaction records.

If the owner's purchase price cannot be determined, figure the discount as if the owner had purchased the obligation at its original issue price. A special rule is used to determine the original issue price for information reporting on U.S. Treasury bills (T-bills) listed in *Section III-A*. Under this rule, you treat as the original issue price of the T-bill the noncompetitive (weighted average of accepted auction bids) discount price for the longest-maturity T-bill maturing on the same date as the T-bill being redeemed. This noncompetitive discount price is the issue price (expressed as a percent of principal) shown in *Section III-A*.

A similar rule is used to figure the discount on short-term discount obligations issued by the organizations listed in *Section III-B* through *Section III-F*.

**Example 1.** There are 13-week and 26-week T-bills maturing on the same date as the T-bill being redeemed. The price actually paid by the owner cannot be established by owner or middleman records. You treat as the issue price of the T-bill the noncompetitive discount price (expressed as a percent of principal) shown in *Section III-A* for a 26-week bill maturing on the same date as the T-bill redeemed. The interest you report on Form 1099-INT is the OID (per \$1,000 of principal) shown in *Section III-A* for that obligation.

## **Long-Term Debt Instruments**

If you hold a long-term OID debt instrument as a nominee for the true owner, you must generally file Form 1099-OID. For this

purpose, you can rely on *Section I* of the OID tables to determine the following information.

- Whether a debt instrument has OID.
- The OID to be reported on the Form 1099-OID.

In general, you must report OID on publicly offered, long-term debt instruments listed in *Section I*. You can also report OID on other long-term debt instruments.

**Form 1099-OID.** Form 1099-OID for a calendar year shows the following information.

- *Box 1.* The OID for the actual dates the owner held the debt instruments during a calendar year. To determine this amount, see *Figuring OID*, later. You may report a net amount of OID that reflects the offset of OID by the amount of acquisition premium amortization for the year. If you do so, leave box 6 blank.

- *Box 2.* The qualified stated interest paid or credited during the calendar year. Interest reported here is not reported on Form 1099-INT. The qualified stated interest on

Treasury inflation-protected securities (TIPS) may be reported on Form 1099-INT in box 3 instead.

- *Box 3.* Any interest or principal forfeited because of an early withdrawal that the owner can deduct from gross income. Do not reduce the amounts in boxes 1 and 2 by the forfeiture.
- *Box 4.* Any backup withholding for this debt instrument.
- *Box 5.* For a covered security acquired with market discount under Regulations section 1.6045-1(a)(15), enter the amount of market discount that accrued during the period the holder owned the debt instrument, provided the holder notified you of an election made under

section 1278(b) to include market discount in income as it accrued. Follow the instructions in Regulations section 1.6045-1(n) to determine the accruals of market discount.

- *Box 6.* For a covered security acquired with acquisition premium, enter the amount of acquisition premium amortization for the period the holder owned the debt instrument. If a net amount of OID is reported in box 1, box 8, or box 11, as applicable, leave this box blank. Follow the instructions in Regulations section 1.6045-1(n) to determine the amortization of acquisition premium.
- *Box 7.* The CUSIP number, if any. If there is no CUSIP number, give a description of the debt instrument, including the abbreviation for the stock exchange, the abbreviation used by the stock exchange for the issuer, the coupon rate, and the



year of maturity (for example, NYSE XYZ 12.50 2006). If the issuer of the debt instrument is other than the payer, show the name of the issuer in this box.

- *Box 8.* The OID on a U.S. Treasury obligation for the part of the year the owner held the debt instrument. You may report a net amount of OID that reflects the offset of OID by the amount of acquisition premium amortization for the year. If you do so, leave box 6 blank.
- *Box 9.* Investment expenses passed on to holders of a single-class REMIC. **Caution.** *This amount is **not** deductible.*
- *Box 10.* For a taxable covered security acquired at a premium, enter the amount of bond premium amortization allocable to the interest paid during the tax year, unless you were notified in writing that the holder did not want to amortize bond premium under section 171. See Regulations sections 1.6045-1(n)(5) and

1.6049-9(b). If you are required to report bond premium amortization and you reported a net amount of interest in box 2, leave this box blank.

- *Box 11.* Use to report any tax-exempt OID.
- *Boxes 12–14.* Use to report any state income tax withheld for this debt instrument.

**Figuring OID.** You can determine the OID on a long-term debt instrument by using either of the following.

- *Section I* of the OID tables.
- The income tax regulations.

**Using Section I.** If the owner held the debt instrument for the entire calendar year, report the OID shown in *Section I* for the calendar year. Because OID is listed for each \$1,000 of stated redemption price at maturity, you must adjust the listed amount

to reflect the debt instrument's actual stated redemption price at maturity. For example, if the debt instrument's stated redemption price at maturity is \$500, report one-half the listed OID.

If the owner held the debt instrument for less than the entire calendar year, figure the OID to report as follows.

1. Look up the daily OID for the first accrual period in the calendar year during which the owner held the debt instrument.
2. Multiply the daily OID by the number of days the owner held the debt instrument during that accrual period.
3. Repeat steps (1) and (2) for any remaining accrual periods for the year during which the owner held the debt instrument.

4. Add the results in steps (2) and (3) to determine the owner's OID per \$1,000 of stated redemption price at maturity.
5. If necessary, adjust the OID in step (4) to reflect the debt instrument's stated redemption price at maturity.

Report the result on Form 1099-OID in box 1.

***Using the income tax regulations.*** Instead of using *Section I* to figure the OID, you can use the Regulations under sections 1272 through 1275. For example, under the regulations, you can use monthly accrual periods in figuring OID for a debt instrument issued after April 3, 1994, that provides for monthly payments. (If you use *Section I-B*, the OID is figured using 6-month accrual periods.)

For a general explanation of the rules for figuring OID under the regulations, see *Figuring OID on Long-Term Debt Instruments*

under *Information for Owners of OID Debt Instruments*, later.

## **Certificates of Deposit**

If you hold a bank certificate of deposit (CD) as a nominee, you must determine whether the CD has OID and any OID includible in the income of the owner. You must file an information return showing the reportable interest and OID, if any, on the CD. These rules apply whether or not you sold the CD to the owner. Report OID on a CD in the same way as OID on other debt instruments. See *Short-Term Obligations Redeemed at Maturity* and *Long-Term Debt Instruments*, earlier.

## **Bearer Bonds and Coupons**

If a coupon from a bearer bond is presented to you for collection before the bond matures, you must generally report the interest on Form 1099-INT. However, do not report the interest if either of the following applies.

- You hold the bond as a nominee for the true owner.
- The payee is a foreign person. See *Backup Withholding*, later.

Because you cannot assume the presenter of the coupon also owns the bond, you should not report OID on the bond on Form 1099-OID. The coupon may have been “stripped” (separated) from the bond and separately purchased.

However, if a long-term bearer bond in the OID tables is presented to you for redemption upon call or maturity, you should prepare a Form 1099-OID showing the OID for that calendar year, as well as any coupon interest payments collected at the time of redemption.

## **Backup Withholding**

If you report OID on Form 1099-OID or interest on Form 1099-INT for a calendar year, you may be required to apply backup

withholding to the reportable payment at a rate of 24% (0.24). The backup withholding is deducted at the time a cash payment is made. See [Pub. 1281](#) for more information.

Backup withholding generally applies to reportable interest and OID in the following situations.

1. The payee does not give you a taxpayer identification number (TIN). A payee who provides an obviously incorrect TIN, defined as a number that does not have 9 digits, has not given you a TIN.
2. The IRS notifies you that the payee gave an incorrect TIN.
3. The IRS notifies you that the payee is subject to backup withholding due to payee underreporting.
4. For debt instruments acquired after 1983:

- a. The payee does not certify, under penalties of perjury, that he or she is not subject to backup withholding under (3); or
- b. The payee does not certify, under penalties of perjury, that the TIN given is correct.

However, an exception exists for certain window payments of interest. For short-term discount obligations (other than government obligations), bearer bonds and coupons, and U.S. savings bonds, backup withholding applies only if the payee does not give you a TIN or gives you an obviously incorrect number for a TIN.

**Short-term obligations.** Backup withholding applies to the payment of OID that is includible in the holder's gross income, to the extent it is in cash. However, backup withholding applies to any interest payable before maturity when the interest is paid or credited.



If the owner of a short-term obligation at maturity is not the original owner and can establish the purchase price of the obligation, the amount subject to backup withholding must be determined by treating the purchase price as the issue price. However, you can choose to disregard that price if it would require significant manual intervention in the computer or recordkeeping system used for the obligation. If the purchase price of a listed obligation is not established or is disregarded, you must use the issue price shown in *Section III*.

**Long-term obligations.** If no cash payments are made on a long-term obligation before maturity, backup withholding applies only at maturity. The amount subject to backup withholding is the OID includible in the owner's gross income for the calendar year when the obligation matures. The amount to be withheld is limited to the cash paid.

***Registered long-term obligations with cash payments.*** If a registered long-term obligation has cash payments before maturity, backup withholding applies when a cash payment is made. The amount subject to backup withholding is the total of the qualified stated interest (defined earlier under *Definitions*) and OID includible in the owner's gross income for the calendar year when the payment is made. If more than one cash payment is made during the year, the OID subject to withholding for the year must be allocated among the expected cash payments in the ratio that each bears to the total of the expected cash payments. For any payment, the required withholding is limited to the cash paid.

***Payee not the original owner.*** If the payee is not the original owner of the obligation, the OID subject to backup withholding is the OID includible in the gross income of all owners during the calendar year (without regard to

any amount paid by the new owner at the time of transfer). The amount subject to backup withholding at maturity of a listed obligation must be determined using the issue price shown in *Section I*.

***Bearer long-term obligations with cash payments.*** If a bearer long-term obligation has cash payments before maturity, backup withholding applies when the cash payments are made. For payments before maturity, the amount subject to withholding is the qualified stated interest (defined earlier under *Definitions*) includible in the owner's gross income for the calendar year. For a payment at maturity, the amount subject to withholding is only the total of any qualified stated interest paid at maturity and the OID includible in the owner's gross income for the calendar year when the obligation matures. The required withholding at maturity is limited to the cash paid.

**Sales and redemptions.** If you report the gross proceeds from a sale, exchange, or redemption of a debt instrument on Form 1099-B for a calendar year, you may be required to withhold 24% (0.24) of the amount reported.

Backup withholding applies in the following situations.

- The payee does not give you a TIN.
- The IRS notifies you that the payee gave an incorrect TIN.
- For debt instruments held in an account opened after 1983, the payee does not certify, under penalties of perjury, that the TIN given is correct.

**Payments outside the United States to U.S. person.** The requirements for backup withholding generally apply to certain payments of OID and interest made outside the United States if you actually know the payee is a U.S. person. Otherwise, the

requirements for backup withholding generally do not apply to payments of OID and interest made outside the United States or to payments made to a payee that you may treat as a foreign person (including by receipt of the appropriate Form W-8 or documentary evidence, when permitted). A U.S. resident or citizen is not a foreign person.

***More information.*** For more information about backup withholding and exceptions to backup withholding, see Regulations section 31.3406(g)-1 and Pub. 515. For information about information reporting on payments made outside the United States or to foreign persons, see Regulations sections 1.6049-5(c) through (e), Pub. 515, and the General Instructions for Certain Information Returns.

# Information for Owners of OID Debt Instruments

This section is for persons who prepare their own tax returns. It discusses the income tax rules for figuring and reporting OID on long-term debt instruments. It also includes a similar discussion for stripped bonds and coupons, such as zero coupon bonds available through the Department of the Treasury's STRIPS program and government-sponsored enterprises such as the Resolution Funding Corporation. However, the information provided does not cover every situation. More information can be found in Regulations under sections 1271 through 1275.

**Including OID in income.** Generally, you include OID in income as it accrues each year, whether or not you receive any payments from the debt instrument issuer.

***Exceptions.*** The rules for including OID in income as it accrues generally do not apply to the following debt instruments.

- U.S. savings bonds.
- Tax-exempt obligations. (However, see *Tax-Exempt Bonds and Coupons*, later.)
- Loans of \$10,000 or less between individuals who are not in the business of lending money. (The dollar limit includes

outstanding prior loans by the lender to the borrower.) This exception does not apply if a principal purpose of the loan is to avoid any federal tax.

See chapter 1 of [\*Pub. 550\*](#) for information about the rules for these and other types of discounted debt instruments, such as short-term and market discount obligations. Pub. 550 also discusses rules for holders of REMIC interests and CDOs.

**De minimis rule.** You can treat OID as zero if the total OID on a debt instrument is less than one-fourth of 1% (0.0025) of the stated redemption price at maturity multiplied by the number of full years from the date of original issue to maturity. Debt instruments with de minimis OID are not listed in this publication. There are special rules to determine the de minimis amount in the case of debt instruments that provide for more than one payment of principal. Also, the de minimis rules generally do not apply to tax-exempt obligations.

**Example 2.** You bought at issuance a 10-year debt instrument with a stated redemption price at maturity of \$1,000, issued at \$980 with OID of \$20. One-fourth of 1% (0.0025) of \$1,000 (the stated redemption price) times 10 (the number of full years from the date of original issue to maturity) equals \$25. Under the de minimis



rule, you can treat the OID as zero because the \$20 discount is less than \$25.

***Example 3.*** Assume the same facts as Example 2, except the debt instrument was issued at \$950. You must report part of the \$50 OID each year because it is more than \$25.

### **Choice to report all interest as OID.**

Generally, you can choose to treat all interest on a debt instrument acquired after April 3, 1994, as OID and include it in gross income by using the constant yield method. See Constant yield method under Debt Instruments Issued After 1984, later, for more information.

For this choice, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. For more information, see Regulations section 1.1272-3.

**Purchase after date of original issue.** A debt instrument you purchased after the date of original issue may have premium, acquisition premium, or market discount. If your debt instrument has premium or acquisition premium, the OID reported to you on Form 1099-OID may have to be adjusted. For more information, see *Showing an OID adjustment* under *How To Report OID*, later. If your debt instrument is a covered security under Regulations section 1.6045-1(a)(15), market discount, acquisition premium, or premium is reported in box 5, 6, or 10 of Form 1099-OID, respectively. The following rules generally do not apply to contingent payment debt instruments.

***Adjustment for premium.*** If your debt instrument (other than an inflation-indexed debt instrument) has premium, do not report any OID as ordinary income. Your adjustment is the total OID shown on your Form 1099-OID. If you pay a premium to buy a debt

instrument, you may be able to amortize the premium over the remaining term of the debt instrument, which would allow you to reduce the amount of qualified stated interest reportable with respect to the debt instrument starting as of the date of purchase. For more information, see *Bond Premium Amortization* in *Pub. 550*.

***Adjustment for acquisition premium.*** If your debt instrument has acquisition premium, reduce the OID you report. Your adjustment is the difference between the OID shown on your Form 1099-OID and the reduced OID amount figured using the rules explained later under *Figuring OID on Long-Term Debt Instruments*. If your debt instrument is a covered security under Regulations section 1.6045-1(a)(15), your broker may either report the acquisition premium amortization adjustment amount in box 6 or may report a net amount of OID in box 1 or box 8, as applicable, that reflects the

adjustment of OID by the amortized acquisition premium. In general, your broker will use the rules in Regulations section 1.1272-2(b)(4) to determine the amortization of acquisition premium.

***Market discount.*** If your debt instrument has market discount that you choose to include in income currently and if the debt instrument is a covered security under Regulations section 1.6045-1(a)(15), your broker will report the market discount includible in income in box 5 of Form 1099-OID if you notify your broker in writing that you elect to include market discount in income as it accrues. Unless you notify your broker in writing that you have not elected to use a constant yield method under section 1276(b) to determine accruals of market discount, your broker will use a constant yield method to determine accruals of market discount rather than a ratable method.

See [Market Discount Bonds](#) in chapter 1 of [Pub. 550](#) for information on how to figure accrued market discount and include it in your income currently and for other information about market discount bonds.

If you choose to use the constant yield method to figure accrued market discount, also see [Figuring OID on Long-Term Debt Instruments](#), later. The constant yield method of figuring accrued OID, explained under [Debt Instruments Issued After July 1, 1982, and Before 1985](#) or [Debt Instruments Issued After 1984](#), as appropriate, is also used to figure accrued market discount.

For more information concerning premium or market discount on an inflation-indexed debt instrument, see Regulations section 1.1275-7.

**Sale, exchange, or redemption.** Generally, you treat your gain or loss from the sale, exchange, or redemption of an OID debt instrument as a capital gain or loss if you held the debt instrument as a capital asset. If you

sold the debt instrument through a broker, you should receive Form 1099-B or an equivalent statement from the broker. Use the Form 1099-B or other statement and your brokerage statements to complete Form 8949, and Schedule D (Form 1040).

Your gain or loss is the difference between the amount you realized on the sale, exchange, or redemption and your basis in the debt instrument. Your basis, generally, is your cost increased by the OID you have included in income each year you held it. In general, to determine your gain or loss on a tax-exempt bond, figure your basis in the bond by adding to your cost the OID you would have included in income if the bond had been taxable. For a covered security, your broker will report the adjusted basis of the debt instrument to you on Form 1099-B.

See [chapter 4](#) of [Pub. 550](#) for more information about the tax treatment of the

sale or redemption of discounted debt instruments.

**Example 4.** Larry, a calendar year taxpayer, bought a corporate debt instrument at original issue for \$86,235.00 on November 1 of Year 1. The 15-year debt instrument matures on October 31 of Year 16 at a stated redemption price of \$100,000. The debt instrument provides for semiannual payments of interest at 10% (0.10). Assume the debt instrument is a capital asset in Larry's hands. The debt instrument has \$13,765.00 of OID (\$100,000 stated redemption price at maturity minus \$86,235.00 issue price).

Larry sold the debt instrument for \$90,000 on November 1 of Year 4. Including the OID he will report for the period he held the debt instrument in Year 4, Larry has included \$1,214.00 of OID in income and has increased his basis by that amount to \$87,449.00. Larry has realized a gain of \$2,551.00. All of Larry's gain is capital gain.

## Form 1099-OID

The issuer of the debt instrument (or your broker, if you purchased or held the debt instrument through a broker) should give you a copy of [Form 1099-OID](#) or a similar statement if the accrued OID for the calendar year is \$10 or more and the term of the debt instrument is more than 1 year. Form 1099-OID shows all OID income in box 1 except OID on a U.S. Treasury obligation, which is shown in box 8. It also shows, in box 2, any qualified stated interest you must include in income. (However, any qualified stated interest on TIPS can be reported on Form 1099-INT in box 3.) For a taxable covered security, Form 1099-OID may show accrued market discount in box 5, acquisition premium in box 6, or premium in box 10. For a taxable covered security with acquisition premium, box 1 or box 8, as applicable, may show a net amount of OID that reflects the offset of OID by the amount of acquisition



premium amortization for the year. If so, box 6 will be blank. For a covered security with bond premium, box 2 may show a net amount of qualified stated interest that reflects the offset of interest income by the amount of premium amortization for the year. If so, box 10 will be blank. A copy of Form 1099-OID will be sent to the IRS. Do not attach your copy to your tax return. Keep it for your records.



*If you are required to file a tax return and you receive Form 1099-OID showing taxable amounts, you must report these amounts on your return. A 20% (0.20) accuracy-related penalty may be charged for underpayment of tax due to either negligence or disregard of rules and regulations or substantial understatement of tax.*

**Tax-exempt obligations.** For a tax-exempt OID obligation that is a covered security acquired on or after January 1, 2017, box 11

of Form 1099-OID shows the tax-exempt OID on the obligation for the part of the year you owned it. If there is an amount in both boxes 10 and 11, for a tax-exempt obligation that is a covered security acquired on or after January 1, 2017, and issued with OID, the amount in box 10 shows the amount of premium amortization for the year that reduces the amount of your tax-exempt interest for the year. The payer may, but is not required to, report the premium amortization for a tax-exempt obligation that is a covered security acquired before January 1, 2017, and issued with OID.

**Form 1099-OID not received.** If you held an OID debt instrument for a calendar year but did not receive a Form 1099-OID, refer to the discussions under *Figuring OID on Long-Term Debt Instruments*, later, for information on the OID you must report.

**Refiguring OID.** You may need to refigure the OID shown in box 1 or box 8 of Form 1099-OID to determine the proper amount to include in income if one of the following applies.

- You bought the debt instrument at a premium or at an acquisition premium. However, if you bought a covered security at an acquisition premium, you may not have to refigure the OID if your broker reported a net adjusted amount of OID in box 1 or box 8, as applicable, that reflects the adjustment of the OID by the amortized acquisition premium.
- The debt instrument is a stripped bond or coupon (including zero coupon bonds backed by U.S. Treasury securities).
- The debt instrument is a contingent payment or inflation-indexed debt instrument.

See the discussions under *Figuring OID on Long-Term Debt Instruments* or *Figuring OID on Stripped Bonds and Coupons*, later, for the specific computations.

**Refiguring interest.** If you disposed of a debt instrument or acquired it from another holder between interest dates, see the discussion under [Bonds Sold Between Interest Dates](#) in chapter 1 of [Pub. 550](#) for information about refiguring the interest shown on Form 1099-OID in box 2.

**Nominee.** If you are the holder of an OID debt instrument and you receive a Form 1099-OID that shows your TIN and includes amounts belonging to another person, you are considered a “nominee.” You must file another Form 1099-OID for each actual owner, showing the OID for the owner. Show the owner of the debt instrument as the “recipient” and you as the “payer.”

Complete Form 1099-OID and Form 1096 and file the forms with the Internal Revenue Service Center for your area. See *Where To File* in the Instructions for Form 1096. You must also give a copy of the Form 1099-OID to the actual owner. However, you are not required to file a nominee return to show amounts belonging to your spouse. See the Form 1099-OID instructions for more information.

When preparing your tax return, follow the instructions under *Showing an OID adjustment*, later.

## **How To Report OID**

You report your taxable interest and OID income on the interest line of Form 1040 or 1040-SR.

**Where to report.** List each payer's name (if a brokerage firm gave you a Form 1099, list the brokerage firm as the payer), and the amount received from each payer on

Schedule B (Form 1040), line 1. Include all OID and qualified stated interest shown on any Form 1099-OID, boxes 1, 2, and 8, you received for the tax year. Also include any other OID and interest income for which you did not receive a Form 1099.

**Showing an OID adjustment.** To report more or less OID than shown in box 1 or box 8 on Form 1099-OID, list the full OID on Schedule B (Form 1040), Part I, line 1, and follow the instructions under (1) or (2) next.

1. If the OID, as adjusted, is less than the amount shown on Form 1099-OID, show the adjustment as follows.
  - a. Under your last entry on line 1, subtotal all interest and OID income listed on line 1.
  - b. Below the subtotal, write "Nominee Distribution" or "OID Adjustment" and show the OID you are not required to report.

- c. Subtract that OID from the subtotal and enter the result on line 2.
- 2. If the OID, as adjusted, is more than the amount shown on Form 1099-OID, show the adjustment as follows.
  - a. Under your last entry on line 1, subtotal all interest and OID income listed on line 1.
  - b. Below the subtotal, write "OID Adjustment" and show the additional OID.
  - c. Add that OID to the subtotal and enter the result on line 2.

**Note.** The above does not apply to a debt instrument acquired at an acquisition premium if the broker reported a net amount of OID rather than a gross amount of OID in box 1 or box 8.

# Figuring OID on Long-Term Debt Instruments

How you figure the OID on a long-term debt instrument depends on the date it was issued. It may also depend on the type of the debt instrument. There are different rules for each of the following debt instruments.

1. Debt instruments issued after July 1, 1982, and before 1985.
2. Debt instruments issued after 1984 (other than debt instruments described in *Box 6* under Form 1099-OID, earlier).
3. Contingent payment debt instruments issued after August 12, 1996.
4. Inflation-indexed debt instruments (including TIPS) issued after January 5, 1997.



**Zero coupon bonds.** The rules for figuring OID on zero coupon bonds, including those backed by U.S. Treasury securities, are discussed under Figuring OID on Stripped Bonds and Coupons, later.

**Form 1099-OID.** You should receive a Form 1099-OID showing OID for the part of the year you held the debt instrument. However, if you paid an acquisition premium, you may need to refigure the OID to report on your tax return. See Reduction for acquisition premium, later. If your debt instrument is a covered security under Regulations section 1.6045-1(a)(15), you may not have to refigure the OID if your broker reported a net adjusted amount of OID in box 1 or box 8, as applicable, that reflects the adjustment of OID by the amortized acquisition premium.



If you held an OID debt instrument in a calendar year but did not receive a Form 1099-OID, see Form 1099-OID not received, later, and refer to *Section I-A* in

the Original Issue Discount (OID) Tables, available at [IRS.gov/Pub1212](https://www.irs.gov/pub/1212) by clicking the link under Recent Developments.

**Form 1099-OID not received.** The OID listed is for each \$1,000 of redemption price. You must adjust the listed amount if your debt instrument has a different principal amount. For example, if you have a debt instrument with a \$500 principal amount, use one-half the listed amount to figure your OID.

If you held the debt instrument the entire year, use the OID shown in *Section I-A* for a calendar year. (If your debt instrument is not listed in *Section I-A*, consult the issuer for information about the issue price and the OID that accrued for that year.) If you did not hold the debt instrument the entire year, figure your OID using the following method.

1. Divide the OID shown by 12.
2. Multiply the result in (1) by the number of complete and partial

months (for example,  $6\frac{1}{2}$  months) you held the debt instrument during a calendar year. This is the OID to include in income unless you paid an acquisition premium. The reduction for acquisition premium is discussed next.

**Reduction for acquisition premium.** If you bought the debt instrument at an acquisition premium, figure the OID to include in income as follows.

1. Divide the total OID on the debt instrument by the number of complete months, and any part of a month, from the date of original issue to the maturity date. This is the monthly OID.
2. Subtract from your cost the issue price and the accumulated OID from the date of issue to the date of purchase. (If the result is zero or less, stop here. You did not pay an acquisition premium.)

3. Divide the amount figured in (2) by the number of complete months, and any part of a month, from the date of your purchase to the maturity date.
4. Subtract the amount figured in (3) from the amount figured in (1). This is the OID to include in income for each month you hold the debt instrument during the year.

**Transfers during the month.** If you buy or sell a debt instrument on any day other than the same day of the month as the date of original issue, the portion of OID for the month of sale is divided between the seller and the buyer according to the number of days each held the debt instrument. Your holding period for this purpose begins the day you acquire the debt instrument and ends the day before you dispose of it.

## Debt Instruments Issued After July 1, 1982, and Before 1985

If you hold these debt instruments as capital assets, you must include part of the OID in income each year you own the debt instruments and increase your basis by the amount included. For information about showing the correct OID on your tax return, see *How To Report OID*, earlier.

**Form 1099-OID.** You should receive a Form 1099-OID showing OID for the part of the year you held the debt instrument. However, if you paid an acquisition premium, you may need to refigure the OID to report on your tax return. See *Constant yield method* and the discussions on acquisition premium that follow, later.



If you held an OID debt instrument in a calendar year but did not receive a Form 1099-OID, see *Form 1099-OID not received*, later, and refer to *Section I-A* in

the Original Issue Discount (OID) Tables, available at [IRS.gov/Pub1212](https://www.irs.gov/pub/1212) by clicking the link under Recent Developments.

**Form 1099-OID not received.** The OID listed is for each \$1,000 of redemption price. You must adjust the listed amount if your debt instrument has a different principal amount. For example, if you have a debt instrument with a \$500 principal amount, use one-half the listed amount to figure your OID.

If you held the debt instrument the entire year, use the OID shown in *Section I-A*. (If your instrument is not listed in *Section I-A*, consult the issuer for information about the issue price, the YTM, and the OID that accrued for that year.) If you did not hold the debt instrument the entire year, figure your OID using either of the following methods.

***Method 1.***

1. Divide the total OID for a calendar year by 365 (366 for leap years).

2. Multiply the result in (1) by the number of days you held the debt instrument during that particular year.

This computation is an approximation and may result in a slightly higher OID than method 2.

***Method 2.***

1. Look up the daily OID for the first accrual period you held the debt instrument during a calendar year.  
(See *Accrual period* under *Debt Instruments Issued After July 1, 1982, and Before 1985*, later.)
2. Multiply the daily OID by the number of days you held the debt instrument during that accrual period.
3. If you held the debt instrument for part of both accrual periods, repeat (1) and (2) for the second accrual period.

4. Add the results of (2) and (3). This is the OID to include in income, unless you paid an acquisition premium. (The reduction for acquisition premium is discussed later.)

**Constant yield method.** This discussion shows how to figure OID on debt instruments issued after July 1, 1982, and before 1985, using a constant yield method. OID is allocated over the life of the debt instrument through adjustments to the issue price for each accrual period.

Figure the OID allocable to any accrual period as follows.

1. Multiply the adjusted issue price at the beginning of the accrual period by the debt instrument's YTM.
2. Subtract from the result in (1) any qualified stated interest allocable to the accrual period.



***Accrual period.*** An accrual period for any OID debt instrument issued after July 1, 1982, and before 1985, is each year period beginning on the date of the issue of the obligation and each anniversary thereafter, or the shorter period to maturity for the last accrual period. Your tax year will usually include parts of two accrual periods.

***Daily OID.*** The OID for any accrual period is allocated equally to each day in the accrual period. You must include in income the sum of the OID amounts for each day you hold the debt instrument during the year. If your tax year includes parts of two or more accrual periods, you must include the proper daily OID amounts for each accrual period.

**Figuring daily OID.** The daily OID for the initial accrual period is figured using the following formula.

$$\frac{(ip \times ytm) - qsi}{p}$$

**ip** = issue price

**ytm** = yield to maturity

**qsi** = qualified stated interest

**p** = number of days in accrual period

The daily OID for subsequent accrual periods is figured the same way except the adjusted issue price at the beginning of each period is used in the formula instead of the issue price.

**Reduction for acquisition premium on debt instruments purchased before July 19, 1984.** If you bought the debt instrument at an acquisition premium before July 19, 1984, figure the OID includible in income by reducing the daily OID by the daily acquisition

premium. Figure the daily acquisition premium by dividing the total acquisition premium by the number of days in the period beginning on your purchase date and ending on the day before the date of maturity.

**Reduction for acquisition premium on debt instruments purchased after July 18, 1984.** If you bought the debt instrument at an acquisition premium after July 18, 1984, figure the OID includible in income by reducing the daily OID by the daily acquisition premium. However, the method of figuring the daily acquisition premium is different from the method described in the preceding discussion. To figure the daily acquisition premium under this method, multiply the daily OID by the following fraction.

- The numerator is the acquisition premium.
- The denominator is the total OID remaining for the debt instrument after your purchase date.



Section I-A in the Original Issue Discount (OID) Tables is available at [IRS.gov/Pub1212](https://www.irs.gov/pub/1212) by clicking the link under Recent Developments.

***Using Section I-A to figure accumulated OID.*** If you bought your corporate debt instrument in a calendar year or the subsequent year, you can figure the accumulated OID to the date of purchase by adding the following amounts.

1. The amount from the “Total OID to January 1, YYYY” column for your debt instrument.
2. The OID from January 1 of a calendar year to the date of purchase, figured as follows.
  - a. Multiply the daily OID for the first accrual period in the calendar year by the number of days from January 1 to the date of purchase, or the end of the

accrual period if the debt instrument was purchased in the second or third accrual period.

- b. Multiply the daily OID for each subsequent accrual period by the number of days in the period to the date of purchase or the end of the accrual period, whichever applies.
- c. Add the amounts figured in (2a) and (2b).

## **Debt Instruments Issued After 1984**

If you hold debt instruments issued after 1984, you must report part of the OID in gross income each year that you own the debt instruments. You must include the OID in gross income whether or not you hold the debt instrument as a capital asset. Your basis in the debt instrument is increased by the OID you include in income. For information

about showing the correct OID on your tax return, see *How To Report OID*, earlier.

**Form 1099-OID.** You should receive a Form 1099-OID showing OID for the part of a calendar year you held the debt instrument. However, if you paid an acquisition premium, you may need to refigure the OID to report on your tax return. See *Constant yield method* and *Reduction for acquisition premium*, later.

If your taxable debt instrument is a covered security, your broker will figure the amortization of acquisition premium for you. Your broker may report either a gross amount of OID in box 1 or box 8, as applicable, and the acquisition premium amortization in box 6, or may report a net amount of OID that reflects the offset of OID by the amount of acquisition premium amortization for the year in box 1 or box 8, as applicable. In general, your broker will use the rules in Regulations section 1.1272-2(b)(4) to determine the

amortization of acquisition premium. However, you may use a constant yield method to amortize acquisition premium if you make an election under Regulations section 1.1272-3.

You may also need to refigure the OID for a contingent payment or inflation-indexed debt instrument on which the amount reported on Form 1099-OID is inaccurate. See Contingent Payment Debt Instruments or Inflation-Indexed Debt Instruments, later.



If you held an OID debt instrument in a calendar year but did not receive a Form 1099-OID, see Form 1099-OID not received, later, and refer to *Section I-B* in the Original Issue Discount (OID) Tables, available at [IRS.gov/Pub1212](https://www.irs.gov/pub/1212) by clicking the link under Recent Developments.

**Form 1099-OID not received.** The OID listed is for each \$1,000 of redemption price. You must adjust the listed amount if your debt instrument has a different principal

amount. For example, if you have a debt instrument with a \$500 principal amount, use one-half the listed amount to figure your OID.

Use the OID shown in *Section I-B* for a calendar year if you held the debt instrument the entire year. (If your debt instrument is not listed in *Section I-B*, consult the issuer for information about the issue price, the YTM, and the OID that accrued for that year.) If you did not hold

the debt instrument the entire year, figure your OID as follows.

1. Look up the daily OID for the first accrual period in which you held the debt instrument during a calendar year. (See *Accrual period* under *Debt Instruments Issued After 1984*, later.)
2. Multiply the daily OID by the number of days you held the debt instrument during that accrual period.



3. Repeat (1) and (2) for any remaining accrual periods in which you held the debt instrument.
4. Add the results of (2) and (3). This is the OID to include in income for that year, unless you paid an acquisition premium. (The reduction for acquisition premium is discussed later.)

**Tax-exempt bond.** If you own a tax-exempt bond, figure your basis in the bond by adding to your cost the OID you would have included in income if the bond had been taxable. You need to make this adjustment to determine if you have a gain or loss on a later disposition of the bond. In general, use the rules that follow to determine your OID. If your tax-exempt bond is a covered security under Regulations section 1.6045-1(a)(15), your broker will make this adjustment to your basis and will report the adjusted basis on Form 1099-B.

**Constant yield method.** This discussion shows how to figure OID on debt instruments issued after 1984 using a constant yield method. (The special rules that apply to contingent payment debt instruments and inflation-indexed debt instruments are explained later.) OID is allocated over the life of the debt instrument through adjustments to the issue price for each accrual period.

Figure the OID allocable to any accrual period as follows.

1. Multiply the adjusted issue price at the beginning of the accrual period by a fraction. The numerator of the fraction is the debt instrument's YTM, and the denominator is the number of accrual periods per year. The yield must be stated appropriately taking into account the length of the particular accrual period.

2. Subtract from the result in (1) any qualified stated interest allocable to the accrual period.

***Accrual period.*** For debt instruments issued after 1984 and before April 4, 1994, an accrual period is each 6-month period that ends on the day that corresponds to the stated maturity date of the debt instrument or the date 6 months before that date. For example, a debt instrument maturing on March 31 has accrual periods that end on September 30 and March 31 of each calendar year. Any short period is included as the first accrual period.

For debt instruments issued after April 3, 1994, accrual periods may be of any length and may vary in length over the term of the debt instrument, as long as each accrual period is no longer than 1 year and all payments are made on the first or last day of an accrual period. However, the OID listed for

these debt instruments in *Section I-B* has been figured using 6-month accrual periods.

***Daily OID.*** The OID for any accrual period is allocated equally to each day in the accrual period. Figure the amount to include in income by adding the OID for each day you hold the debt instrument during the year. Since your tax year will usually include parts of two or more accrual periods, you must include the proper daily OID for each accrual period. If your debt instrument has 6-month accrual periods, your tax year will usually include one full 6-month accrual period and parts of two other 6-month periods.