

Filing Season 2024: Buying US Savings Bonds with Your Tax Refund

for VITA/TCE Taxpayers

Buying US Savings Bonds with your tax refund

During the 2024 Tax Filing Season, taxpayers have the option of purchasing United States Savings Bonds, Series I, providing the opportunity to use a portion of your tax refund to build long term savings and assets. The purchase of savings bonds is a great way to start or increase your overall savings. In 2024, you can not only buy savings bonds for yourself, but you can also purchase bonds for others, including your children and grandchildren! It's easy – just ask your tax return preparer!

What are U.S. Savings Bonds?

U.S. Savings Bonds are savings instruments for individual savers issued by the Department of Treasury. For purposes of this program, only Series I US Savings Bonds are offered.

Series I Bonds are sold at face value (a \$50 bond costs \$50) and grow in value for up to 30 years. Purchasing bonds with your tax refund must be done in increments of \$50. In any single calendar year, taxpayers can purchase up to \$5,000 of savings bonds.

Savings bonds can be redeemed for principal and accrued earnings any time after the first 12 months after they are purchased (or earlier if you live in an area affected by a natural disaster). If a savings bond is redeemed within the first 5 years, the 3 most recent months' interest will be forfeited. After 5 years, no interest forfeit penalty will apply when bonds are redeemed.

Series I Bonds pay interest based on a combination of a fixed rate (which remains the same throughout the life of the savings bonds) and a semiannual inflation rate which is updated each May and November. Savings bonds accrue interest until redeemed or until they reach their final maturity in 30 years.

The current composite rate (which is the yearly rate that applies for 6 months) for Series I Savings Bonds in place during the 2024 Tax Filing Season is 5.27%. The 5.27% composite rate includes a fixed rate of 1.30% (which will be applicable for the

entire life of the Series I Savings Bonds purchased) and a 1.97% semi-annualized rate of inflation. The 5.27% composite will apply from the time of purchase through April 30, 2024, when a new semi-annual rate of interest will be announced, and the composite rate will be updated.

The interest earned by purchasing and holding savings bonds are subject to federal tax at the time the bonds are redeemed. However, interest earned on savings bonds is not taxable at the state or local level.

How can US Savings Bonds purchases be made at VITA/TCE sites?

During the 2024 Tax Filing Season, you can choose to purchase savings bonds with part or all of your refund by requesting to purchase savings bonds on Form 8888, Allocation of Refund (including savings bonds purchases) (www.irs.gov/pub/irs-pdf/f8888.pdf). You can purchase savings bonds with your tax refunds in multiples of \$50, up to the yearly maximum of \$5,000.

The use of Form 8888 to purchase savings bonds in 2024 will leave you with two options for the remainder of your refund balance after your savings bond purchase: (1) deposit the remainder of your refund to one or more accounts – such as a checking or savings accounts at a bank or financial institution; or (2) request the remainder of your refund to be sent to you in the form of a paper check.

Another feature in 2024 is the opportunity to buy savings bonds not only for yourself but for someone else (such as a child or a grandchild). The Form 8888 for 2024 provides the opportunity to purchase savings bonds for two individuals in addition to yourself. At the time of purchase, you simply need the name of the person for whom you wish to buy savings bonds and do not need their Social Security Number (a Social Security Number will not be required until the time that the savings bonds are redeemed). The bonds purchased for others will be mailed to you.

It is easy to buy savings bonds with your tax refund – just tell your tax return preparer you want to buy savings bonds with part of your refund!

Taxpayers Receipt of Series I Savings Bonds

Taxpayers who purchase US Savings Bonds with their tax refund will receive their bonds as a paper bond certificate mailed to the address on their tax return. The issuance of the savings bond certificates could take up to three weeks and the bond certificate will generally be received after the taxpayer has received the remainder of their tax refund from the IRS.

For bond purchases made with a tax refund in amounts of \$250 or less, the purchaser will receive Series I bonds in \$50 denominations. For bond purchases in excess of \$250, the first \$250 will be fulfilled with \$50 bonds and then the remainder will be fulfilled with the fewest possible additional bonds (although this is up to the discretion of the Bureau of Public Debt who issues the bonds).

Purchases of savings bonds will not be processed in the situations where: (1) the bond request is not in a multiple of \$50; (2) the tax refund is decreased because of a math error on the return; or (3) the tax refund will be offset to pay past due federal

taxes or other certain debt (i.e., student loans, child support, etc.). In any of these three situations, your entire refund due will be sent to you in the form of a check.

An error on your tax return that results in the amount of the tax refund being increased will result in the issuance of the savings bonds in the amount originally requested and the additional amount of the refund being sent to you in the form of a check or in the form of a direct deposit indicated in the previous section of the Form 8888, if applicable.

To check the status of a bond purchase request, go to the IRS website, www.irs.gov and utilize the “Where’s My Refund” feature or call 1-800-829-1954. If the IRS has processed your refund and placed the order for savings bonds, contact the Treasury Retail Securities Site in Minneapolis at 1-844-284-2676 to inquire about the status of the bonds.