

Filing Season 2021: Form 8888 and Series I Savings Bonds

for VITA/TCE Partners

Purchasing United States Savings Bonds with tax refunds

For the 2021 Tax Filing Season, taxpayers continue to have the opportunity to purchase United States Series I Savings bonds with their tax refunds. Taxpayers can purchase savings bonds for persons other than themselves (including children and grandchildren). Taxpayers can also purchase savings bonds with a portion of the refund and receive the remainder of the refund in the form of a check (negating the previous requirement to have a bank account to purchase savings bonds on Form 8888). By completing a Form 8888, Allocation of Refund (Including savings bond purchases), it is simple and easy to accomplish. Please make taxpayers aware of their option to increase their savings by purchasing U.S. Savings Bonds.

U.S. Savings Bonds information

U.S. Savings Bonds are savings instruments for individual savers issued by the Department of the Treasury. For purposes of this program, only U.S. Series I Savings Bonds are offered. Taxpayers will continue to receive paper savings bonds when they utilize this program.

Series I Savings Bonds are sold at face value (a \$50 bond costs \$50) and grow in value for up to 30 years. In any single calendar year, taxpayers can purchase up to \$5,000 of Series I Savings Bonds under this program.

Taxpayers can redeem savings bonds for principal and accrued earnings any time after the first 12 months after purchase (or earlier if they live in an area affected by a natural disaster). If a savings Bond is redeemed within the first five years, the three most recent months' interest will be forfeited. After five years, no forfeit of interest will apply.

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

The current annualized interest rate for Series I Savings Bonds in place during the 2021 Tax Filing Season is 1.68%. The 1.68% includes a fixed rate of 0.00% (which will be applicable for the entire life of the Series I Savings Bonds purchased) and a 1.68% annualized rate of inflation. The 1.68% semi-annual inflation rate will apply from the time of purchase through April 30, 2021 when a new semi-annual rate of interest will be announced.

How to use a federal refund to purchase savings bonds

For the 2021 Tax Filing Season, taxpayers can continue to choose to save part or all of their refunds by requesting savings bonds on Form 8888, Allocation of Refund (Including Savings Bond Purchases). Again, in the 2021 Tax Filing Season, the taxpayer will NOT be required to have another account in which to “deposit” the remaining amount of their refund after the purchase of savings bonds in order to purchase Savings bonds – they can elect to receive the remainder of their refund in the form of a check. The ability to direct deposit the remainder of the refund into a specified bank account remains on the revised Form 8888.

During the 2021 Tax Filing Season, taxpayers will be able to purchase savings bonds with their tax refunds in multiples of \$50, up to the yearly maximum of \$5,000. Purchases of savings bonds in multiples other than \$50 will result in the inability for the IRS to purchase the requested bonds and will instead trigger the issuance of paper refund check to the taxpayer for the entire amount of their refund.

To help a taxpayer purchase savings bonds, the following steps will need to be completed on the Form 8888:

1. If taxpayer would like the remainder of their refund directly deposited into a bank account, fill in Line 1a, 1b, 1c and 1d with the information for the account to which the taxpayer wants the remainder of their refund to be deposited. If taxpayer wants to deposit their refund into more than one account, complete lines 2a, 2b, 2c and 2d and 3a, 3b, 3c and 3d, as necessary.
2. For the savings bond purchase, the taxpayer will have the ability to purchase for themselves (using Line 4) and up to 2 other individuals (using Lines 5a and 6a). The following steps will need to be completed:
 - Use Line 4 to purchase savings bonds for the taxpayer themselves only (in multiple of \$50 and cumulative purchase less than \$5,000)
 - Use Line 5A to purchase bonds for the taxpayer, their spouse or someone else. On Line 5b, if purchasing the bond for someone else, the taxpayer will need to provide an owner’s name for the bond registration. On Line 5c, if the taxpayer would like to add a co-owner or beneficiary, they will add the owner’s name here. If the additional owner is a beneficiary, the box at the end of Line 5c must be checked.
 - Use Line 6a to purchase bonds for the taxpayer, their spouse or someone else. On Line 6b if purchasing the bond for someone else, the taxpayer will need to provide an owner’s name for the bond registration. On Line 6c, if the taxpayer would like to add a co-owner or beneficiary, they will add that owner’s name here. If the additional owner is a beneficiary, the box at the end of Line 5c must be checked.
 - Use Line 7 if the remainder of refund is to be issued in the form of a paper check.

TaxSlayer software will also provide a warning message in the situation where the taxpayer’s request for refund in Box 2d or 3d is not a multiple of \$50. The message will inform them that Bond requests need to be in multiples of \$50 but the software will allow the return to be

processed with the incorrect amount. Please ensure that bond purchases are in multiples of \$50 in every case.

Taxpayers' receipt of Series I Savings Bonds

Taxpayers who purchase Series I Savings Bonds with their tax refunds will receive their paper bonds by mail at the address on their tax return. The issuance of the savings bonds could take up to three weeks; taxpayers will generally receive their savings bonds after they have received the remainder of their tax refund.

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.

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, the entire refund due will be sent in the form of a check.

An error on the 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 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, the tax filer should go to Where's My Refund on [irs.gov](https://www.irs.gov) or call 1-800-829-1954. If the IRS has processed the refund and placed the request for the bond, then the tax filer should contact the Treasury Retail Securities Site at 1-844-284-2676 to inquire about the status of the bonds.

How to purchase savings bonds in TaxSlayer software

On the following pages, please find the information on how to properly utilize Form 8888, Allocation of Refund (Including Savings Bond Purchases) in the TaxSlayer software during the 2021 Filing Season. At the time of this document, a final screenshot of the Form 8888 was not available from TaxSlayer. However, the changes to utilizing the form are expected to be minor.

As was the case last filing season, one of the keys is selecting the option to offer split refunds (via Form 8888) in the Office Setup section of the TaxSlayer software.

The information that follows is found under the "E-File Section" of the TaxSlayer software and under the tab for "Taxpayer Bank Account Information" and can be viewed in the Practice Lab currently.

Note: This bank information **MUST** be accurate for your return to process correctly.

You may split your refund in up to 3 accounts, paper check and purchase up to 3 savings bonds. The total deposits and savings bond purchases must equal your total refi \$1,016.00

Bank Accounts

Enter bank account information where you would like your refund deposited.

Bank Account 1

Account Type <input type="text" value="Checking"/>	Bank Name <input type="text"/>	Deposit Amount <input type="text" value="\$0.00"/>	<input type="button" value="Pull Refund"/>
Routing Number <input type="text"/>	Account Number <input type="text"/>		
Confirm Rtn Number <input type="text"/>	Confirm Account Number <input type="text"/>		

Bank Account 2

Account Type <input type="text" value="Checking"/>	Bank Name <input type="text"/>	Deposit Amount <input type="text" value="\$0.00"/>
Routing Number <input type="text"/>	Account Number <input type="text"/>	
Confirm Rtn Number <input type="text"/>	Confirm Account Number <input type="text"/>	

Bank Account 3

Account Type <input type="text" value="Checking"/>	Bank Name <input type="text"/>	Deposit Amount <input type="text" value="\$0.00"/>
Routing Number <input type="text"/>	Account Number <input type="text"/>	
Confirm Rtn Number <input type="text"/>	Confirm Account Number <input type="text"/>	

Paper Check Allocation

Allocate portion of the refund to be issued as a paper check.

Purchase Savings Bonds

You can purchase up to 3 savings bonds with the remainder of your refund.

Bond amounts must be in \$ 50 increments

Purchase A Bond	<input checked="" type="checkbox"/> I do not want to purchase this bond
Amount to be used for bond purchase for yourself	<input type="text" value="\$0.00"/>

Purchase another bond for yourself or someone else	<input checked="" type="checkbox"/> I do not want to purchase this bond
Bond Amount	<input type="text" value="\$0.00"/>
Enter the owner's name (First then Last) for the bond registration	<input type="text"/>
If you would like to add a co-owner or beneficiary, enter the name here (First then Last)	<input type="text"/>
<input type="checkbox"/> Is Beneficiary?	