

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **INFO 2006-0056**

Release Date: 9/29/2006

Index Number: 671.00-00

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B01 –PLR-P-125857-06

Date:

May 22, 2006

Dear \_\_\_\_\_ :

This letter responds to your letter, dated May 2, 2005, requesting information on the federal income tax consequences of the transfer of United States Series EE savings bonds to a revocable trust.

Your letter states that you purchased the bonds before you established your revocable “family trust.” You would like to transfer the bonds to the trust. We have not examined the savings bonds or the trust. Therefore, while we are unable to issue a letter ruling at this time, we are furnishing the following general information in response to your request.

In general, the owner of EE series bonds may defer reporting the accrued interest on the bonds on the owner’s federal income tax return, until the earlier of when the bonds are cashed, mature, or are disposed of. If the owner of savings bonds transfers them to a trust, and the transferor is considered the owner of the trust (i.e., a “grantor trust”) for federal income tax purposes, the transferor may continue to defer reporting interest accrued each year. For example, a transferor is treated as the owner of the trust if the transferor can revoke the trust. The transferor must include the total interest accrued in his or her income when the bonds are cashed or finally mature, whichever is earlier.

Your letter does not indicate how the bonds were issued. If the bonds were issued in “husband and wife” form and were purchased with the funds of both spouses, you and your spouse will not need to include the accrued interest in your income when the bonds are transferred to the trust. If this is not the case, there may be special tax consequences upon the transfer of the bonds to the trust. If the savings bonds are issued in the form of “husband or wife” (co-owners) but were purchased with the funds of only one of the owners (e.g., the husband), the accrued interest must be reported by

the individual who contributed the funds (husband). If savings bonds that were issued to co-owners, where only one co-owner contributed the funds (e.g., husband), are reissued solely in the name of the other co-owner's name (e.g., wife), or in the name of the other co-owner's grantor trust, the reissuance is considered a disposition of the bonds. Upon disposition, the transferor (husband) must include the total interest accrued in his income. If savings bonds that were issued to co-owners, where only one co-owner contributed the funds, are reissued solely in the name of the co-owner who contributed the funds (e.g., the husband), or in the name of the husband's grantor trusts, the reissuance is not considered a disposition of the bonds and the transferor may continue to defer reporting interest accrued each year.

This letter implies no opinion concerning any other federal tax issues in connection with the transfer of savings bonds into the trust, or any other federal tax issues which exist regarding the trust.

We appreciate this opportunity to provide you with assistance. Please keep a copy of this letter for your records. We have included a copy of pages 52-59 of IRS Publication 17, Federal Income Tax of Individuals, providing tax information on your U.S. savings bonds.

If you have further questions concerning any matter addressed in this letter, please contact us at ( ) (not a toll free number).

Sincerely,

Audrey Ellis  
Senior Counsel, Branch 1  
Office of the Associate Chief Counsel  
(Passthroughs and Special Industries)

Encl:

cc: