



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

June 26, 2015

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Dear _____ :

This letter responds to your request for information dated May 28, 2015, in which you requested information on the federal income tax consequences of the transfer of United States Series EE savings bonds (the "Bonds") purchased by your mother, but issued to you and your mother as co-owners, to a trust. You asked for written clarification regarding the following questions:

Question:

Will the transfer of the Bonds to the trust create a taxable event?

Answer:

In general, the owner of Series EE bonds may defer reporting the accrued interest on the bonds on the owner's federal income tax return, until the bonds mature or are disposed of. If the bonds are issued in the names of co-owners, the identity of the owner who must report the interest income is determined by the source of the funds used to purchase the bonds, not by the names or Social Security numbers on the bonds.

If two people are named as co-owners on the bonds and one person passes away, the surviving person becomes the owner as if the survivor had been the only owner from the time the bond was issued. In that situation, if the decedent had not reported the interest income during her lifetime, or if the estate did not report the interest on decedent's final income tax return, the survivor would be responsible for reporting all the interest earned both before and after the decedent's death. If the survivor

reports all of the interest earned throughout the life of the bond, then in the year the survivor reports the interest, she may claim a deduction for any federal estate tax paid on the part of the interest included in the decedent's estate.

If the owner of Series EE bonds transfers them to a trust giving up all rights of ownership, the transferor must include in her income for that year the interest earned as of the date of the transfer, if she had not previously reported. If, however, the owner of Series EE 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 a 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 redeemed or finally mature, whichever is earlier.

Form PD F 1851 is used to reissue U.S. savings bonds (including Series EE bonds) to a "personal trust," which includes a revocable trust. When the form is filed, the bonds should be included with the form as indicated by the form instructions. Section 2 of Form PD F 1851 requests the names of the grantors, trustees, taxpayer identification number, and beneficiaries of the trust. In general, the grantors would be any persons who transfer property to the trust and the trustees would be those persons identified in the trust instrument. The taxpayer identification numbers in the case of a revocable trust created by husband and wife will generally be the husband and wife's Social Security numbers. The beneficiaries of a trust will generally include any living persons who may receive distributions from the trust.

Form PD F 1851 is a publication of the Bureau of Public Debt, rather than the Internal Revenue Service. For further clarification regarding the form, we suggest you contact the Bureau of Public Debt, Forms Management Officer, Parkersburg, WV, 26106-1328, as indicated on page 5 of the form.

For more information on the reissuance of United States Series EE savings bonds and the tax consequences following the death of the owner, please refer to the enclosed materials published by the Internal Revenue Service and the Bureau of Public Debt.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2015-1, § 2.04, 2015-1 I.R.B. 1 (Jan. 2, 2015). If you have any additional questions, please contact our office at .

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 3
(Passthroughs & Special Industries)

Enclosures (3):

- Excerpts from IRS Publication 17 (Your Federal Income Tax)
- Excerpts from IRS Publication 550 (Investment Income & Expenses)
- Excerpt from the U.S. Savings Bond website maintained by U.S. Department of the Treasury, Bureau of the Public Debt, concerning the death of a Savings Bond Owner: http://www.treasurydirect.gov/indiv/research/indepth/ebonds/res_e_bonds_eedeath.htm