



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

OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

This letter responds to your request for information dated July 2, 2015, in which you requested information on the transfer of United States Series I savings bonds (the "Bonds") purchased by you and your wife to a revocable trust.

Question:

How do we document the transfer of the Bonds to a revocable trust?

Answer:

Form PD F 1851 is used to reissue U.S. savings bonds (including Series I 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. Depending on the terms of the trust, the beneficiaries may include you and your wife, as well as your children or other persons named or described in 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.

Question:

Will we be required to recognize and report interest earned on the Bonds, subsequent to their transfer to a revocable trust?

Answer:

In general, the owner of Series I 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. Therefore, if one of you contributed all of the money used to purchase the bonds, the interest income would be taxable to the contributor.

If the owner of Series I 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.

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 IRB 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_eedead.htm