

## § 352.8

## 31 CFR Ch. II (7-1-01 Edition)

or received them jointly as a gift, inheritance, or legacy or as a result of judicial proceedings, both persons must be named as coowners on the Series HH bonds.

(4) If the securities presented for exchange are in beneficiary form, the owner must be named on the Series HH bonds as owner or first-named coowner. If the owner is deceased, a surviving beneficiary must be named as owner or first-named coowner. In either case, a coowner or beneficiary may also be named.

(f) *Issue date.* Series HH bonds issued on exchange will be dated as of the first day of the month in which the eligible securities presented for exchange are redeemed by an authorized paying agent, as evidenced in the payment stamp on the securities and the exchange application.

(g) *Tax-deferred exchanges.* (1) Continuation of tax deferral. Pursuant to the provisions of the Internal Revenue Code of 1954, as amended, an owner who has not been reporting the interest on his or her Series E or EE bonds and savings notes on an accrual basis for Federal income tax purposes, and who exchanges those securities for Series HH bonds, may continue to defer reporting the interest on the securities exchanged until the taxable year in which the Series HH bonds received in the exchange reach final maturity, are redeemed, or are otherwise disposed of, whichever is earlier. A reissue transaction that affects any of the persons required to be named on the Series HH bonds, as set forth in paragraph (e) of this section, may result in termination of the tax deferral privilege.

(2) *Tax deferral legend.* Each bond issued in a tax-deferred exchange shall bear a legend showing how much of its issue price represents interest on the securities exchanged. This interest must be treated as income for Federal income tax purposes and reported in accordance with paragraph (g)(1) of this section.

(3) *Reporting of interest paid to owner.* To the extent that it represents interest earned on the securities presented for exchange, an amount paid to an owner in accordance with paragraph (d) of this section is reportable as income for Federal income tax purposes for the

year in which it is paid. Pursuant to 26 CFR 1.6049.4, a paying agent is required to report interest income of \$10 or more included in any amount paid in an exchange transaction to the payee and to the Internal Revenue Service on Form 1099-INT or an approved substitute. A separate report may be made for each exchange transaction in which interest in the amount of \$10 or more is paid, or all interest paid in both cash redemption and exchange transactions may be aggregated and reported annually should the total amount be \$10 or more.

(h) *Exchanges without tax deferral.* The rules prescribed for exchanges under paragraphs (a) through (f) of this section also apply to exchanges by owners who report the interest earned on their bonds of Series E and EE and savings notes annually for Federal income tax purposes, or elect to report all such interest that was not previously reported for the taxable year of the exchange. Series HH bonds issued in a nontax-deferred exchange shall show a "0" in the tax-deferral legend.

[54 FR 40249, Sept. 29, 1989, as amended at 59 FR 10540, Mar. 4, 1994]

### § 352.8 Reinvestment of matured Series H bonds.

(a) *General.* The proceeds of matured Series H bonds, whether purchased for cash or issued in exchange for other securities, may be reinvested in Series HH bonds. Tax deferral granted to interest earned on securities exchanged for Series H bonds may not be continued when the Series H bonds reach final maturity and their proceeds are reinvested in Series HH bonds. The amount appearing in the legend on a matured Series H bond on which tax deferral was granted must be reported for Federal income tax purposes for the year of such final maturity.

(b) *Rules.* The reinvestment transaction will be subject to the rules governing exchanges, as set forth in § 352.7 of this Circular, and the Series HH bonds issued on reinvestment will be identical in all respects with those issued in a non-tax-deferred exchange.

### § 352.9 Delivery of bonds.

Authorized issuing agents will deliver Series HH bonds by mail at the