

TALK POINTS FOR SPEC PARTNERS

Form 8888 and Series I Savings Bonds



Key Messages

- Tax prep sites will be able to offer U.S. Savings Bonds, Series I, as an added opportunity for clients to save for long-term needs like housing and education.
- Tax preparers will complete IRS Form 8888 for clients who want to buy bonds. The updated Form 8888 can be found on www.irs.gov.
- During the 2010 Filing Season, a streamlined process for purchasing U.S. Savings Bonds will be used. Bonds will only be issued in the name of the taxpayer (and spouse, if joint return).
- In the 2011 Filing Season, IRS will be exploring opportunities to expand choices available for taxpayers.
- The interest rate for Series I Savings Bonds purchased during the 2010 Filing Season will be 3.36%. The 3.36% rate includes a fixed rate of 0.30% and a 3.06% annualized rate of inflation. The fixed rate applies for the 30-year life of I Bonds purchased during this six-month period while the semiannual inflation rate is valid just through April 30th of 2010 when a new semi-annual inflation rate of interest will be announced.

These talk points provide information on the Savings Bonds initiative for SPEC employees, site coordinators, partners and volunteers.

Purchasing United States Savings Bonds With Tax Refunds

Starting in January 2010, taxpayers will have a unique opportunity to increase their savings by purchasing United States Series I Savings Bonds with their tax refunds. The purchase of Savings Bonds is a great way for any taxpayer to start or increase their overall savings. By completing a revised Form 8888, *Direct Deposit of Refund to More Than One Account*, it is simple and easy to accomplish. Please encourage all taxpayers to consider using part of their refunds to increase their savings by purchasing U.S. Savings Bonds.

U.S. Savings Bonds Definition

U.S. Savings Bonds are savings instruments for individual savers issued by the Department of the Treasury. For purposes of this program, only Series I Savings Bonds will be offered.

Series I 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 anytime 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.

Series I 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 interest rate for Series I Savings Bonds in place during the 2010 Filing Season is 3.36%. The 3.36% includes a fixed rate of .30% (which will be applicable for the entire life of the I Bond purchased) and a 3.06% annualized rate of inflation. The 3.06% interest rate will apply from the time of purchase through April 30, 2010 when a new semi-annual rate of interest will be announced.

How to use a federal refund to purchase Savings Bonds

For the 2010 Filing Season, taxpayers can choose to save part or all of their refunds by requesting Savings Bonds on Form 8888, *Direct Deposit of Refund to More Than One Account*. The use of Form 8888 to purchase Savings Bonds will generally require the taxpayer to have another account in which to "deposit" the remaining amount of their refund after the purchase of Savings Bonds.

During the 2010 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.

Taxpayers will take the following steps using [Form 8888](#), to purchase Savings Bonds.

1. 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.
2. For the Savings Bond purchase, use either Line 2a or 3a to record the purchase:
 - a. On Line 2a or 3a, enter the amount of Savings Bonds the taxpayer would like to purchase (a multiple of \$50 but less than \$5,000)
 - b. On Line 2b or 3b, enter the following routing number that will be used for **all** Savings Bond purchases – **043736881**
 - c. On Line 2c or 3c, check the box for “Savings”
 - d. On Line 2d or 3d, enter the letters, **BONDS**, for **all** Savings Bond purchases.

For volunteers completing the Form 8888 through the SPEC-supplied TaxWise software, a drop down menu has been added in Lines 2b/3b and 2d/3d that will include the appropriate routing number (043736881) and account number information (BONDS) that can be simply selected to help avoid any transposition errors. See TaxWise screen shot on page 3 of these Talk Points.

TaxWise 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 multiple’s 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.**

Finally, for a taxpayer who has a refund in an exact multiple of \$50 and wants his/her entire refund in the form of Savings Bonds, that taxpayer can input the Savings Bond routing number (043736881) and keyword (BONDS) on the direct deposit line of the Form 1040 and does not need to use the Form 8888.

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 to 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.

Errors on the return that change the refund amount will result in a failed bond purchase. If the tax filer has a prior tax or other obligation (child support, loan payment), the bond request will not be fulfilled. The inability to fulfill the bond request will cause the taxpayer’s entire refund amount to be moved to a paper check mailed to the taxpayer.

To check the status of a bond purchase, the tax filer should go to Where's My Refund on 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 1-800-245-2804.

File Reports Communications Tools Help

Open Return Close Return Forms Tree Print Return Print Form Link Depr Wkst Return Stage Diagnostics

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

US 8888 Direct Deposit of Refund in Two or More Accounts 2009

Name: [REDACTED] SSN: 123-45-6789

Do not use this form if you want the Federal refund directly deposited in to just ONE account. Account information below is not verified by Taxwise.

You can request a portion of your refund to buy up to \$5,000 in U.S. Series I Savings Bonds. The amount you request must be a multiple of \$50. If you file a joint return, the bonds will be issued in the names of both you and your spouse. You cannot designate a beneficiary under this option.

To select this option, do the following. Enter in line 1a, 2a, or 3a with a dollar amount that is a multiple of \$50, but not more than \$5,000. Enter 043736881 as the routing number, check the "Savings" box, and enter "BONDS" in the account number field.

1a Amount to be deposited to first account		0.
b Routing number	[REDACTED]	c Checking: <input type="checkbox"/> Savings: <input type="checkbox"/>
d Account number	[REDACTED]	
2a Amount to be deposited to second account		47.
b Routing number	043736881	c Checking: <input checked="" type="checkbox"/> Savings: <input checked="" type="checkbox"/>
d Account number	BONDS	
3a Amount to be deposited to third account		0.
b Routing number	[REDACTED]	c Checking: <input type="checkbox"/> Savings: <input type="checkbox"/>
d Account number	043736881	
4 Total amount to be directly deposited		47.
The amount above MUST equal the Federal refund amount here		0.

This facsimile form is not approved for filing directly to the IRS.