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A Series EE bond is a form of U.S. Savings Bond that was introduced in 1980.

Series EE bonds are purchased at a discount and then redeemed for their face value when they mature. The difference represents interest, and is taxable when the bond matures or is cashed in (unless the savings bond purchaser has elected to be taxed on the interest each year, which savings bond purchasers rarely do). Unlike capital gain property, which receives a step up in basis at death, the interest component is considered income in respect of a decedent. That income would be taxable if received by the estate of the owner (the executor of an estate that has \$600 or more of gross income for a year has to file Form 1041) or by an heir, but would not be taxable in the hands of a tax-exempt charity.

The imputed interest on a Series EE bond is exempt from state and local taxes. Federal income tax is due on a Series EE bond only when it matures. The tax is applied to the difference between the face value and purchase price of the bond at ordinary income tax rates.

The owner of a maturing Series EE bond can exchange it for an interest bearing [Series HH bond](#) in lieu of paying federal income tax on part of the bond proceeds.

The transfer of Series EE bonds is severely restricted. Generally speaking, they cannot be given directly to charity; they must be cashed in and the proceeds given instead.

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