

## Redeeming Paper Bonds Purchased by a Trustee or Custodian as an IRA Investment

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- A savings bond paying agent may redeem paper Series EE and I savings bonds that were purchased by, issued to, and registered to show the name and fiduciary capacity of a trustee or custodian authorized by the IRS to offer and manage IRAs. These paper bonds would have been issued before 2012. Payment is requested by and made to the financial institution or organization that is designated on the bonds as the trustee or custodian. Payment must be in accordance with the Treasury's Guide to Cashing Savings Bonds.
- **The trustee or custodian must determine whether:**
  - The redemption proceeds will be rolled over into another retirement savings arrangement qualified under the Internal Revenue Code; OR,
  - 10% of the entire redemption proceeds will be withheld for federal income tax purposes.
- **Reporting redemptions:** Use IRS Form 1099-R to report redemptions of savings bonds registered in the names of trustees/custodians for IRA's. DO NOT USE IRS Form 1099-INT.
  - **Reporting to payees:** Furnish IRS Forms 1099-R to payees by January 31 following the year of redemption.
  - **Reporting to the IRS:** Furnish IRS Forms 1099-R to the IRS by February 28 following the year of redemption. Transmit hard copy IRS Forms 1099-R to the IRS under cover of IRS Form 1096. Use IRS Form 4804 for electronic reporting in accordance with IRS requirements.

### Miscellaneous Facts About Savings Bonds Bought as an IRA Investment

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- **Trustee/custodian involvement:** The trustee/custodian for the IRA designated in registrations on paper savings bonds must have been fully involved in the decision to buy the bonds and in submitting the purchase application (before 2012).
- **Using savings bonds for an IRA investment:** Institutions qualified as IRA trustees/custodians and as savings bond agents were allowed to use paper savings bonds as IRA funding vehicles before 2012. However, no institution or agent was required to do so. IRA trustees/custodians were not required to make the public aware that savings bonds could have been used in this manner.
- **Reporting rules:** When bonds were purchased in the financial institution's name as an IRA trustee/custodian, the financial institution should have followed any and all reporting rules it then was required to observe in opening and maintaining its own IRA accounts.
- **Procedures for closing IRA account:** When bonds registered in an IRA trustee's/custodian's name and fiduciary capacity are going to be redeemed, the following should be offered: 10% withholding or a tax-free rollover. The transaction should be reported on IRS Form 1099-R. Trustees/custodians should follow any other normal procedures and rules they ordinarily observe in closing IRA accounts offered to their own depositors. For control purposes, trustees/custodians that are also paying agents may redeem bonds in their names as IRA fiduciaries rather than submitting the bonds to another institution or TRS site for redemption.