

§ 359.7

(b) *Over-the-counter sales*—(1) *Eligible issuing agents.* Bonds may be purchased through any issuing agent, except that an organization serving as an issuing agent because of its status as an employer or an organization operating an employer's payroll savings plan under 31 CFR 317.2(c) may sell bonds only through payroll savings plans.

(2) *Manner of sale.* An application for the purchase of a bond must be accompanied by a remittance to cover the issue price. The purchase application and remittance may be submitted to an issuing agent by any means acceptable to the issuing agent. An application may authorize purchases on a recurring basis. The issuing agent bears the burden of collection and the risk of loss for non-collection or return of the remittance.

§ 359.7 Delivery of bonds.

Issuing agents are authorized to arrange for the delivery of Series I bonds. Mail deliveries are made at the risk and expense of the United States to the address given by the purchaser, if it is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico. No mail deliveries elsewhere will be made, except to residents of Mexico and Canada who participate in payroll saving plans. Bonds purchased by a citizen of the United States residing abroad will be delivered only to such address in the United States as the purchaser directs.

§ 359.8 Payment or redemption.

(a) *Incorporated banks, savings and loan associations and other financial institutions*—(1) *Payment in general.* A financial institution qualified as a paying agent under the provisions of 31 CFR part 321, also published as Department of the Treasury Circular No. 750, will pay the current redemption value of a Series I bond presented for payment by an individual whose name is inscribed on the bond as owner or co-owner, provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent, in accordance with Treasury instructions and identification guide-

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lines, and signs and completes the request for payment.

(2) *Payment to beneficiary or legal representative.* A paying agent may (but is not required to) pay the current redemption value of a Series I bond upon the request of a beneficiary, if he or she survives the owner, or a legal representative designated in the bond registration by name and capacity, or a court-appointed representative of the last-deceased registrant's estate provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent in accordance with Treasury instructions and identification guidelines, and otherwise complies with evidentiary requirements.

(b) *Federal Reserve Banks and Branches.* A Federal Reserve Bank or Branch referred to in § 359.14 will pay the current redemption value of a Series I bond presented for payment, provided the bond is in order for payment and the request for payment on the bond is properly signed and certified in accordance with Circular No. 2-98.

§ 359.9 Taxation.

(a) *General.* The increment in value, represented by the difference between the face (par amount) of a Series I bond and the redemption value received for it, is interest. This interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all other taxation now or hereafter imposed on the principal or interest by any State, any possession of the United States or any local taxing authority.

(b) *Federal income tax on bonds.* (1) An owner of Series I bonds may use either of the following two methods for reporting the increase in the redemption value of the bond for Federal income tax purposes:

(i) *Cash basis.* Defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earlier; or

(ii) *Accrual basis.* Elect to report the increase each year as it accrues, in