

that you then own, those subsequently acquired, and to any other obligations purchased on a discount basis.

(b) *Changing methods.* If you use the cash basis method, you may change to the accrual basis method without obtaining permission from the Internal Revenue Service. However, once you elect to use the accrual basis method in paragraph (a)(2), you may change the method of reporting the increase only by following the specific procedures prescribed by the Internal Revenue Service for making a method change. For further information, you may contact the Internal Revenue Service director for your area, or the Internal Revenue Service, Washington, DC 20224.

3. *What transactions have potential tax consequences?*

The following types of transactions, among others, may have potential tax consequences:

(a) A reissue that affects the rights of any of the persons named on a definitive Series EE savings bond may have tax consequences for the owner.

(b) The transfer of a book-entry Series EE savings bond from one owner to another may have tax consequences for the transferor.

(c) The redemption of a book-entry Series EE savings bond by the secondary owner may have tax consequences for the primary owner.

(d) The purchase of a Series EE savings bond as a gift may have gift tax consequences.

PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH

Sec.

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AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

SOURCE: 54 FR 40249, Sept. 29, 1989, unless otherwise noted.

§ 352.0 Offering of bonds.

The Secretary of the Treasury offered to the people of the United

States, United States Savings Bonds of Series HH in exchange for eligible United States Savings Bonds of Series E and EE and United States Savings Notes (Freedom Shares). This offering is being withdrawn and will terminate at the close of business on August 31, 2004.

[69 FR 40318, July 2, 2004]

§ 352.1 Governing regulations.

Series HH bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series EE and HH contained in Department of the Treasury Circular, Public Debt Series No. 3-80, as amended (31 CFR part 353), hereinafter referred to as Circular No. 3-80.

§ 352.2 Description of bonds.

(a) *General.* Series HH bonds were issued only in registered form and are nontransferable. The bonds are distinguishable by the portraits, color, border design, tax-deferral legend, and text material.

(b) *Denominations and prices.* Series HH bonds were issued at face amount and are in denominations of \$500, \$1,000, \$5,000 and \$10,000.

(c) *Term.* Each bond bears an issue date which is the date from which interest is earned. The date was established as provided in § 352.7(f). Series HH bonds have an original maturity period of 10 years and have been granted an extended maturity period of 10 years; they will reach final maturity 20 years from their issue dates.

(d) *Redemption.* A Series HH bond may be redeemed after six months from its issue date. The Secretary of the Treasury may not call Series HH bonds for redemption prior to maturity. In any case where Series HH bonds are surrendered to an authorized paying agent for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.