submitted to the Internal Revenue Service; that is, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123–45–6789. An EIN is composed of nine digits separated by one hyphen, for example, 12–3456789. The hyphens are an essential part of the numbers.

We, us, or *our* refers to the agency, the Bureau of the Public Debt. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Public Debt. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or *your* refers to an owner of a Series I savings bonds.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 14942, Mar. 23, 2005; 71 FR 46857, Aug. 15, 2006]

§ 359.4 In what form are Series I savings bonds issued?

Series I savings bonds are issued in either book-entry or definitive form.

§ 359.5 What is the maturity period of a Series I savings bonds?

Series I savings bonds have a total maturity period of 30 years from the issue date, consisting of an original maturity period of 20 years and an extension period of 10 years.

§ 359.6 When may I redeem my Series I bond?

(a) *Bonds issued on December 1, 2002, or earlier.* You may redeem your Series I savings bond issued on January 1, 2003, or earlier, at any time after six months from its issue date.

(b) Bonds issued on February 1, 2003, or thereafter. You may redeem your Series I savings bond issued on February 1, 2003, or thereafter, at any time after 12 months from its issue date.

[68 FR 2667, Jan. 17, 2003, as amended at 68 FR 7427, Feb. 14, 2003]

§ 359.7 If I redeem a Series I savings bonds before five years after the issue date, is there an interest penalty?

If you redeem a bond less than five years after the issue date, we will reduce the overall earning period by three months. For example, if you redeem a bond issued January 1, 2002, nine months later on October 1, 2002, the redemption value will be determined by applying the value calculation procedures and composite rate for that bond as if the redemption date were three months earlier (July 1, 2002). However, we will not reduce the redemption value of a bond subject to the three-month interest penalty below the issue price (par). This penalty does not apply to bonds redeemed five years or more after the issue date.

§ 359.8 How does interest accrue on Series I savings bonds?

A bond accrues interest based on both a fixed rate of return and a semiannual inflation rate. A single, annual rate called the composite rate reflects the combined effects of the fixed rate and the semiannual inflation rate. For more information, see appendix B of part 359.

§ 359.9 When are interest rates for Series I savings bonds announced?

(a) The Secretary will furnish fixed rates, semiannual inflation rates, and composite rates for Series I savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day. However, the effective date of the rates remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 359.10 What is the fixed rate of return?

The Secretary, or the Secretary's designee, determines the fixed rate of return. The fixed rate is established for the life of the bond. The fixed rate will always be greater than or equal to 0.00%.[1] The most recently announced

[1] However, the fixed rate is not a guaranteed minimum rate. The composite rate is composed of both the fixed rate and a semiannual inflation rate, which could possibly be less than the fixed rate or negative in deflationary situations. In all cases, however,

fixed rate is only for bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

[73 FR 65543, Nov. 4, 1008]

§ 359.11 What is the semiannual inflation rate?

The index used to determine the semiannual inflation rate is the non-seasonally adjusted CPI-U (the Consumer Price Index for All Urban Consumers for the U.S. City Average for All Items, 1982–84=100) published by the Bureau of Labor Statistics of the U.S. Department of Labor. (For further information on CPI-U considerations, *see* appendix C to part 359 at section 1.) The semiannual inflation rate reflects the percentage change, if any, in the CPI-U over a six-month period. We announce this rate twice a year, in May and November. The semiannual inflation rate we announced in May 2002 reflects the percentage change between the CPI-U figures from the preceding March 2002 and September 2001. The rate of change over the six-month period, if any, will be expressed as a percentage, rounded to the nearest one-hundredth of one percent. More specifically, the semiannual inflation rate will be determined by the following formula (the resulting rate will be rounded to the nearest one-hundredth of one percent):

Semiannual inflation rate = $(CPI - U_{Current} - CPI - U_{Prior}) \div CPI - U_{Prior}$

§ 359.12 What happens in deflationary conditions?

In certain deflationary situations, the semiannual inflation rate may be negative. Negative semiannual inflation rates will be used in the same way as positive semiannual inflation rates. However, if the semiannual inflation rate is negative to the extent that it completely offsets the fixed rate of return, the redemption value of a Series I bond for any particular month will not be less than the value for the preceding month.

the composite rate will always be greater than or equal to 0.00%.

§ 359.13 What are composite rates?

Composite rates are single, annual interest rates that reflect the combined effects of the fixed rate and the semiannual inflation rate. The composite rate will always be greater than or equal to 0.00%.

[73 FR 65544, Nov. 4, 1008]

§ 359.14 How are composite rates determined?

Composite rates are set according to the following formula (See appendix A to part 359 for examples of calculations involving composite interest rates.):

Composite rate = {(Fixed rate ÷ 2) + Semiannual inflation rate + [Semiannual inflation rate × (Fixed rate ÷ 2)]} × 2.[2]

§ 359.15 When is the composite rate applied to Series I savings bonds?

The most recently announced composite rate applies to a bond during its next semiannual rate period. A bond's semiannual rate periods are consecutive six-month periods, the first of which begins with the bond's issue date. This means that there can be a delay of several months from the time of a composite rate announcement to the time that rate determines interest earnings for a bond. For example, if you purchased a bond in April, its semiannual rate periods begin every April and October. At the beginning of the semiannual rate period in April, the most recently announced composite rate would have been the rate we announced the previous November. This rate will determine interest earnings for your bond for the next six months, through the end of September. At the beginning of the semiannual rate period in October, the most recently announced composite rate would

[2] Example for I bonds issued May 2002–October 2002:

Fixed rate = 2.00%

Inflation rate = 0.28%

Composite rate = $[0.0200 \div 2 + 0.0028 + (0.0028 \times 0.0200 \div 2)] \times 2$

Composite rate = $[0.0100 + 0.0028 + 0.000028] \times 2$

Composite rate = 0.012828×2

Composite rate = 0.025656

Composite rate = 0.0257 (rounded)

Composite rate = 2.57% (rounded)