even if they have the same maturity date, and therefore are not fungible.

(c) Treasury inflation-protected securities—(1) Minimum par amounts required for STRIPS. The minimum par amount of an inflation-protected security that may be stripped is $100. Any par amount to be stripped above $100 must be in a multiple of $100.

(2) Principal components. Principal components stripped from inflation-protected securities are maintained in accounts, and transferred, at their par amount. At maturity, the holder will receive the inflation-adjusted principal or the par amount, whichever is greater. (See §356.30.) A principal component has a CUSIP number that is different from the CUSIP number of the fully constituted (unstripped) security.

(3) Interest components—(i) Adjusted value. Interest components stripped from inflation-protected securities are maintained in accounts, and transferred, at their adjusted value. This value is derived by multiplying the semiannual interest rate by the par amount and then multiplying this value by: 100 divided by the Reference CPI of the original issue date. (The dated date is used instead of the original issue date when the dates are different.) See appendix B, section IV of this part for an example of how to do this calculation.

(ii) CUSIP numbers. When an interest payment is stripped from an inflation-protected security, the interest payment date becomes the maturity date for the component. All interest components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. Such interest components are fungible (interchangeable). The CUSIP numbers of interest components are different from the CUSIP numbers of principal components and fully constituted securities, even if they have the same maturity date.

(iii) Payment at maturity. At maturity, the payment to the holder will be derived by multiplying the adjusted value of the interest component by the Reference CPI of the maturity date, divided by 100. See appendix B, section IV of this part for an example of how to do this calculation.

(iv) Rebas ing of the CPI. If the CPI is rebased to a different time base reference period (See appendix D.), the adjusted values of all outstanding inflation-protected interest components will be converted to adjusted values based on the new base reference period. At that time, we will publish information that describes how this conversion will occur. After rebasing, any interest components created from a security that was issued during a prior base reference period will be issued with adjusted values calculated using reference CPIs under the most-recent base reference period.

(d) Reconstituting a security. Stripped interest and principal components may be reconstituted, that is, put back together into their fully constituted form. A principal component and all related unmatured interest components, in the appropriate minimum or multiple amounts or adjusted values, must be submitted together for reconstitution. Because inflation-protected interest components are different from fixed-principal interest components, they are not interchangeable for reconstitution purposes.

(e) Applicable regulations. Subparts A, B, and D of part 357 of this chapter govern notes and bonds stripped into their STRIPS components, unless we state differently in this part.

§ 356.32 What tax rules apply?

(a) General. Securities issued under this part are subject to all applicable taxes imposed under the Internal Revenue Code of 1986, or its successor. Under section 3124 of title 31, United States Code, the securities are exempt from taxation by a State or political subdivision of a State, except for State estate or inheritance taxes and other exceptions as provided in that section.

(b) Treasury inflation-protected securities. Special federal income tax rules for inflation-protected securities, including stripped inflation-protected principal and interest components, are set forth in Internal Revenue Service regulations.