

# FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, April 3, 1951

## OPTIONS OPEN TO OWNERS OF MATURING SERIES E SAVINGS BONDS

To All Banking Institutions, and Others Concerned,  
in the Eleventh Federal Reserve District:

There is enclosed a copy of Treasury Department Circular No. 885, REGULATIONS GOVERNING OPTIONS OPEN TO OWNERS OF MATURING UNITED STATES SAVINGS BONDS OF SERIES E. Particular attention is directed to the following features of the regulations:

### BONDS COVERED UNDER OPTIONS

The options specified in the regulations are applicable only to Series E bonds which begin to mature May 1, 1951, and concern owners, coowners, surviving beneficiaries, next of kin and legatees of a deceased owner, and others as outlined in Section 329.11.

#### OPTION 1 CASH REDEMPTION

The owner of any Series E bond may receive full cash payment for his bond at maturity in accordance with Section 329.2. The options extended under the circular do not in any way restrict the right of an owner to cash his Series E bonds AT ANY TIME. He has the privilege, however, of taking advantage of one of the following options if he so desires.

#### OPTION 2 INTEREST AFTER MATURITY

Section 329.3 contains the provision whereby owners may retain their matured Series E bonds for another ten-year period and obtain additional interest. No action is required of owners desiring to take advantage of such extension, and interest will be earned in accordance with the schedule set forth in the table of redemption values appearing on the last page of the circular.

#### OPTION 3 EXCHANGE FOR SERIES G BONDS WITH SPECIAL PAR REDEMPTION PRIVILEGE

Under Section 329.5, a method is provided whereby owners of maturing Series E bonds may exercise their right of exchanging them for Series G bonds which will bear the special privilege of redemption AT PAR AT ANY TIME after six months from the issue date upon one calendar month's notice. Series G bonds currently on sale for cash subscription are not redeemable at par prior to maturity except in the event of death.

Provision is made in Section 329.7 for the exchange of matured Series E bonds for bonds of Series G in denominations of \$500, \$1,000, \$5,000, and \$10,000. The maturing Series E bonds so exchanged must be presented not later than two calendar months after maturity. Another privilege given owners is that of accumulating a number of maturing Series E bonds for exchange for bonds of Series G in multiples of \$500. Under this plan, the bonds may be accumulated during any twelve consecutive calendar months and if presented not later than two calendar months after maturity of the last bond in the group, an owner may receive in exchange a Series G bond dated on a weighted average dating basis.

#### **FEDERAL INCOME TAX**

Holder of Series E bonds who have not been reporting the increase in redemption value of such bonds currently for tax purposes may, as provided in Section 329.8, defer paying income tax on the interest until the year in which the bonds finally mature or are redeemed.

In the case of the exchange of bonds of Series E for bonds of Series G, any difference between the purchase price of the Series E bonds and their maturity value not reported in previous returns must be reported in returns for the year in which the Series E bonds mature. Thereafter, interest on the Series G bonds must be reported as income for the taxable year in which received or accrued.

#### **EXEMPT UNDER LIMITATIONS OF HOLDINGS**

The amount of bonds of Series E retained after maturity and Series G bonds acquired upon exchange will not be included in the maximum annual limitation on holdings.

Additional copies of the enclosed circular will be furnished upon request.

Yours very truly,

**R. R. GILBERT**

President

# REGULATIONS GOVERNING OPTIONS OPEN TO OWNERS OF MATURING UNITED STATES SAVINGS BONDS OF SERIES E

1951  
Department Circular No. 885

Fiscal Service  
Bureau of the Public Debt

TREASURY DEPARTMENT  
Office of the Secretary  
Washington, March 26, 1951

## SUBPART

- A Offering to Owners of Series E Savings Bonds Heretofore or Hereafter Issued.
- B Further Interest After Maturity.
- C Exchange for Series G Bonds Bearing Special Par Redemption Privilege.
- D Federal Income Tax.
- E General Provisions.

### Subpart A—OFFERING TO OWNERS OF SERIES E SAVINGS BONDS HERETOFORE OR HEREAFTER ISSUED

Sec. 329.1. Pursuant to Section 22 (b) (2) of the Second Liberty Bond Act, as amended (31 U.S.C. 757c [b] [2]<sup>1</sup>), the Secretary of the Treasury offers to owners of United States Savings Bonds of Series E (hereinafter referred to as Bonds of Series E) who wish to continue their investment beyond maturity, the options hereinafter set forth. Bonds of Series E were first issued on May 1, 1941 and will mature beginning on May 1, 1951. Such options are hereby granted for the benefit of owners of Bonds of Series E heretofore or hereafter issued and are as binding on the United States as if expressly set forth in the text of the bonds. The term "owners" as used in these regulations is defined in Subpart E.

Sec. 329.2. The provisions of Subpart B hereof do not in any way restrict the right of owners of Bonds of Series E to cash their bonds AT ANY TIME in accordance with the terms of such bonds.

### Subpart B—FURTHER INTEREST AFTER MATURITY

Sec. 329.3. Owners of Bonds of Series E, which mature on and after May 1, 1951, have the option of retaining the matured bonds for a further 10-year period and earning interest upon the maturity values thereof to accrue at the rate of 2½ percent simple interest per annum for the first 7½ years and at a higher rate thereafter so that the aggregate return for the 10-year extension period will be about 2.9 percent compounded semiannually. NO ACTION IS REQUIRED OF OWNERS DESIRING TO TAKE ADVANTAGE OF THE EXTENSION. MERELY BY CONTINUING TO HOLD THEIR BONDS AFTER MATURITY OWNERS WILL EARN FURTHER INTEREST IN ACCORDANCE WITH THE SCHEDULE SET FORTH IN THE TABLE AT THE END OF THESE REGULATIONS.

Sec. 329.4. Interest hereunder accrues at the end of the first half-year period following maturity and each successive half-year period thereafter. If the bonds are redeemed before the end of the first half-year period following maturity, the owner is entitled to payment only at the face value thereof.

### Subpart C—EXCHANGE FOR SERIES G BONDS BEARING SPECIAL PAR REDEMPTION PRIVILEGE

Sec. 329.5. Owners of Bonds of Series E which mature on and after May 1, 1951, who prefer to have an investment paying current income rather than to exercise their right to request cash, or to retain the bonds under Subpart B, have the option of presenting their matured bonds in amounts of \$500 (maturity value) or multiples thereof in exchange for Series G Bonds which will bear the special privilege of redemption AT PAR AT ANY TIME at the owner's option as set forth in section 329.6. The exchange will be governed by the rules set forth in section 329.7. Except as

<sup>1</sup> Act of March 26, 1951.

set forth in this Subpart, the Series G bonds issued upon exchange will in all other respects be the same as the Series G bonds currently on sale which mature 12 years from issue date and bear interest at the rate of 2½ percent per annum payable semiannually by check drawn to the order of the registered owner.

Sec. 329.6. The Series G bonds issued upon exchange will be specially stamped to indicate that they are unconditionally redeemable by the owner AT PAR AT ANY TIME after 6 months from the issue date upon one calendar month's notice to a Federal Reserve Bank or Branch or to the Treasury Department. The Series G bonds currently on sale for cash subscription may not be redeemed at par prior to maturity except in the event of death as set forth in the regulations governing United States Savings Bonds.

Sec. 329.7. The following rules govern the exchange under this Subpart: (1) The Series G bonds will be registered in the names of the owners of the matured Bonds of Series E in any authorized form of registration; (2) Series G bonds will be issued upon exchange ONLY in denominations of \$500, \$1,000, \$5,000 and \$10,000 (maturity value); (3) The Bonds of Series E used in the exchange must be presented to a Federal Reserve Bank or Branch or to the Treasury Department, Washington 25, D. C., not later than two calendar months after the month of maturity and the bonds of Series G issued upon exchange will be dated as of the first day of the month in which the Bonds of Series E matured; but (4) If an owner desires to accumulate a number of Bonds of Series E for exchange to bonds of Series G in any authorized denomination set forth in (2) he may accumulate such bonds during any twelve consecutive calendar months and present them for exchange not later than two calendar months after the month of maturity of the last bond in the group to be exchanged and the Series G bonds issued upon such exchange will be dated on a weighted average dating basis which will afford an adequate interest adjustment for the period during which the owner has accumulated the Bonds of Series E for the exchange; and (5) Cash subscriptions in whole or in part will not be accepted for the Series G bonds offered under this Subpart.

#### **Subpart D—FEDERAL INCOME TAX**

Sec. 329.8. A taxpayer who has been reporting the increase in redemption value of his Bonds of Series E, for Federal income tax purposes, each year as it accrues, must continue to do so if he retains the bonds under Subpart B, unless in accordance with income tax regulations (Regulations 111, section 29.42-6) the taxpayer secures permission from the Commissioner of Internal Revenue to change to a different method of reporting income from such obligations. A taxpayer who has not been reporting the increase in redemption value of such bonds currently for tax purposes may in any year prior to final maturity, and subject to the provisions of section 42 (b) of the Internal Revenue Code and of the regulations prescribed thereunder, elect for such year and subsequent years to report such income annually. Holders of Bonds of Series E who have not reported the increase in redemption value currently are required to include such amount in gross income for the taxable year of actual redemption or for the taxable year in which the period of extension ends, whichever is earlier.

Sec. 329.9. Taxpayers who exchange their matured Bonds of Series E for Series G bonds under the provisions of Subpart C must report the difference between the purchase price of their Series E bonds and the maturity value thereof in their returns for the year in which the bonds mature to the extent to which such difference has not been reported in previous returns. The interest payable on the Series G bonds issued upon exchange must be reported as income for the taxable year in which received or accrued.

Sec. 329.10. If further information concerning the income tax is desired, inquiry should be addressed to the Collector of Internal Revenue of the taxpayer's district or to the Bureau of Internal Revenue, Washington 25, D. C.

#### **Subpart E—GENERAL PROVISIONS**

Sec. 329.11. **Definition of terms.**—(a) The term "Bonds of Series E" as used in these regulations includes all Bonds of Series E issued as United States Defense Savings Bonds, United States War Savings Bonds and all those issued as Series E savings bonds without special designation; (b) The term "owners" as used in these regulations includes registered owners, coowners, surviving beneficiaries, next of kin and legatees of a deceased owner, and persons who have acquired bonds pursuant to judicial proceedings against the owner, except that judgment creditors, trustees in bankruptcy and receivers of insolvents' estates will have the right only to payment of Bonds of Series E in accordance with the regulations governing United States Savings Bonds.

Sec. 329.12. **Right to purchase Bonds of Series E and G currently.**—The amount of matured Bonds of Series E retained after maturity and the amount of bonds of Series G issued upon exchange in accordance with these regulations will not be included in the limitation on holdings applicable to the amount of bonds of such series which may be purchased by an investor each calendar year;

except that nothing herein contained shall be construed to permit the current purchase of savings bonds of Series E for the account of organizations and fiduciaries or the purchase of savings bonds of either series for the account of persons who are not entitled to have them on original issue, contrary to the provisions of the regulations governing United States Savings Bonds.

**Sec. 329.13. Modification of other circulars.**—The provisions of these regulations shall be considered as amendatory of and supplementary to the offering circular for savings bonds of Series E (Department Circular No. 653 and its revisions), the offering circular for savings bonds of Series G (Department Circular No. 654 and its revisions) and the circular containing the regulations governing United States Savings Bonds<sup>2</sup>, which circulars are hereby modified to accord with the provisions hereof.

**Sec. 329.14. Other circulars generally applicable.**—Except as provided in these regulations, the circulars referred to in the preceding section will continue to be generally applicable.

**Sec. 329.15. Supplements and amendments.**—The Secretary of the Treasury may at any time or from time to time supplement or amend the terms of these regulations, or of any amendment or supplement thereto.

JOHN W. SNYDER  
Secretary of the Treasury

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<sup>2</sup>The regulations currently in force governing United States Savings Bonds are set forth in Department Circular No. 530, Sixth Revision, as amended.

**OPTIONAL EXTENSION OF UNITED STATES SAVINGS BONDS—SERIES E**

**TABLE OF REDEMPTION VALUES AND INVESTMENT YIELDS RELATING TO EXTENDED BONDS**

Table for the 10-year extension period showing: (1) How bonds of Series E, by denominations, increase in redemption value during successive half-year periods following date of original maturity; (2) the approximate investment yield on the purchase price from issue date to the beginning of each half-year period; and (3) the approximate investment yield on the current redemption value from the beginning of each half-year period to extended maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

| Extended maturity value.....                            | \$13.33  | \$33.33 | \$66.67 | \$133.33 | \$266.67 | \$666.67 | \$1,333.33 | Approximate investment yields <sup>1</sup>   |  |
|---|--|---------|---------|----------|----------|----------|------------|--|--|
|   |  |         |         |          |          |          |            | (2) On purchase price from original issue date to beginning of each half-year period | (3) On current redemption value from beginning of each half-year period to extended maturity |
| Original maturity (or face) value.....                  | 10.00  | 25.00   | 50.00   | 100.00   | 200.00   | 500.00   | 1,000.00   |  |  |
| Issue price.....  | 7.50   | 18.75   | 37.50   | 75.00    | 150.00   | 375.00   | 750.00     |  |  |
| Period after issue date                                 | (1) Redemption values during each half-year period |         |         |          |          |          |            |  |  |
| 10 to 10½ years.....                                    | 10.00  | 25.00   | 50.00   | 100.00   | 200.00   | 500.00   | 1,000.00   | 2.90%  | 2.90%  |
| 10½ to 11 years.....                                    | 10.12  | 25.31   | 50.62   | 101.25   | 202.50   | 506.25   | 1,012.50   | 2.88   | 2.92   |
| 11 to 11½ years.....                                    | 10.25  | 25.62   | 51.25   | 102.50   | 205.00   | 512.50   | 1,025.00   | 2.86   | 2.94   |
| 11½ to 12 years.....                                    | 10.37  | 25.94   | 51.87   | 103.75   | 207.50   | 518.75   | 1,037.50   | 2.84   | 2.97   |
| 12 to 12½ years.....                                    | 10.50  | 26.25   | 52.50   | 105.00   | 210.00   | 525.00   | 1,050.00   | 2.82   | 3.01   |
| 12½ to 13 years.....                                    | 10.62  | 26.56   | 53.12   | 106.25   | 212.50   | 531.25   | 1,062.50   | 2.81   | 3.05   |
| 13 to 13½ years.....                                    | 10.75  | 26.87   | 53.75   | 107.50   | 215.00   | 537.50   | 1,075.00   | 2.79   | 3.10   |
| 13½ to 14 years.....                                    | 10.87  | 27.19   | 54.37   | 108.75   | 217.50   | 543.75   | 1,087.50   | 2.77   | 3.16   |
| 14 to 14½ years.....                                    | 11.00  | 27.50   | 55.00   | 110.00   | 220.00   | 550.00   | 1,100.00   | 2.75   | 3.23   |
| 14½ to 15 years.....                                    | 11.12  | 27.81   | 55.62   | 111.25   | 222.50   | 556.25   | 1,112.50   | 2.74   | 3.32   |
| 15 to 15½ years.....                                    | 11.25  | 28.12   | 56.25   | 112.50   | 225.00   | 562.50   | 1,125.00   | 2.72   | 3.43   |
| 15½ to 16 years.....                                    | 11.37  | 28.44   | 56.87   | 113.75   | 227.50   | 568.75   | 1,137.50   | 2.71   | 3.56   |
| 16 to 16½ years.....                                    | 11.50  | 28.75   | 57.50   | 115.00   | 230.00   | 575.00   | 1,150.00   | 2.69   | 3.73   |
| 16½ to 17 years.....                                    | 11.62  | 29.06   | 58.12   | 116.25   | 232.50   | 581.25   | 1,162.50   | 2.67   | 3.96   |
| 17 to 17½ years.....                                    | 11.75  | 29.37   | 58.75   | 117.50   | 235.00   | 587.50   | 1,175.00   | 2.66   | 4.26   |
| 17½ to 18 years.....                                    | 12.00  | 30.00   | 60.00   | 120.00   | 240.00   | 600.00   | 1,200.00   | 2.70   | 4.26   |
| 18 to 18½ years.....                                    | 12.27  | 30.67   | 61.33   | 122.67   | 245.33   | 613.33   | 1,226.67   | 2.75   | 4.21   |
| 18½ to 19 years.....                                    | 12.53  | 31.33   | 62.67   | 125.33   | 250.67   | 626.67   | 1,253.33   | 2.79   | 4.17   |
| 19 to 19½ years.....                                    | 12.80  | 32.00   | 64.00   | 128.00   | 256.00   | 640.00   | 1,280.00   | 2.83   | 4.12   |
| 19½ to 20 years.....                                    | 13.07  | 32.67   | 65.33   | 130.67   | 261.33   | 653.33   | 1,306.67   | 2.87   | 4.08   |
| Extended maturity value (20 years from issue date)..... | 13.33  | 33.33   | 66.67   | 133.33   | 266.67   | 666.67   | 1,333.33   | 2.90   | -----  |

<sup>1</sup>Calculated on basis of \$1,000 bonds (face value).