

Portal Bond Order Process FAQ

Supplemental training material for the Tax Season 2010 Savings Bond Pilot

Basic questions about bonds

Q1: In what denominations are bonds issued?

Paper Series I Savings Bonds are only available in multiples of \$25 beyond the \$50 minimum. The Federal Government (The Bureau of Public Debt) issues bonds in the following denominations: \$50, \$75, \$100, \$200, \$500, \$1,000, and \$5,000. Block Bank will use bonds of these available values to fulfill clients' bond orders. For instance, a client who wishes to purchase \$125 worth of bonds for herself or herself and a co owner will receive a \$50 and \$75 paper bond. In order to give bond holders the flexibility to redeem only a portion of their holdings should a need arise, Block Bank will never order a single bond larger than \$100. Thus a client who requests \$550 worth of bonds would receive five (5) \$100 bonds and one (1) \$50 bond (rather than a single \$500 bond and \$50 bond).

Q2: Is there a limit on the dollar amount of bonds a tax filer can order?

The Savings Bond portal limits orders for any single owner or co-owner to \$1,000.

Q3: Can taxpayers who are ITIN holders order bonds for their children if their children have valid Social Security numbers?

Yes, ITIN holders can purchase I Bonds both for themselves and for others, holding either an ITIN or a valid Social Security number.

Questions about Co-owners

Q4: If the filing status of the taxpayer is Married, Filing Jointly or Married, Filing Separately, is the spouse automatically listed as a co-owner?

No. Do not confuse the spouse of a taxpayer with the co-owner of a bond. A co-owner is the person for whom the tax filer would like to buy a bond, possibly as a gift. This person may or may not be the spouse of the taxpayer. Co-owners must be listed separately on Screen 2 of the bond order process.

Q5: If a taxpayer wants to buy a bond for a co-owner only (to give a bond as a gift, for example), how do I complete Screen 2 of the order process?

Enter \$0 for the owner amount and the desired amount on one or more co-owner lines.

Q6: Can there be more than 1 co-owner for each bond?

No, each bond can only have 1 co-owner, in addition to the owner, who will always be the tax filer. But clients can purchase an additional bond for each additional co-owner.

Q7: What if a client wishes to buy bonds for more than 5 co-owners?

At this time tax filers may only purchase bonds for themselves and up to five co-owners.

Questions about Direct Deposit Information and Form 8888

Q8: When entering direct deposit information on Form 8888, will I enter the client's bank account information or will I enter the H&R Block bank account information (as listed at the end of the ordering process)?

You will need to list both on Form 8888: the H&R Block bank account information as well as the client's bank account information. Remember, the purpose of Form 8888 is to "split" the refund so you need information for at least two bank accounts to be able to send a portion of the refund in to each bank account.

Q9: What happens if I forget to enter the H&R Block bank account information on Form 8888 of the tax return?

The IRS will NOT split the refund, and the entire refund amount will be sent to whatever bank account information is entered on Form 8888 or elsewhere in the return. If no bank account information is entered anywhere in the client's return, the IRS will send a paper check for the refund amount to the address listed on the tax return. The client's bond order will not be processed, as funds to pay for the order will never arrive at H&R Block Bank. So, the client will not get a bond.

Q10: In what order should I enter account information on Form 8888

It depends on the VITA site's knowledge of the tax filer's situation. If there is no reduction in the amount of the taxpayer's refund, the order doesn't matter. However, if the refund amount is decreased, it is impossible to guarantee a taxpayer that one direct deposit will take priority over another. See below for an explanation.

- 1) If the IRS discovers a math error that is NOT in the tax filer's favor (resulting in a less-than-expected refund amount), the IRS deducts the additional amount owed from the last account listed.
- 2) If the IRS decreases the refund amount because the tax filer owes past-due federal taxes, then as in 1) above, the IRS deducts the amount owed from the last account listed.

3) However, if Financial Management Service (FMS) decreases the expected tax refund (for instance, outstanding student loan claims) the amount owed to FMS will be taken from the account with the lowest Routing Transit Number, regardless of where it is entered on Form 8888.

Based on the above, it is better if tax preparers, site managers and other VITA site personnel determine the order of accounts on Form 8888 based on their knowledge of tax filers' account information and history with the site. In most cases, because H&R Block Bank has a low Routing Transit Number, listing the Block Bank account number last means it is the most likely account to be decreased (and the tax client is most likely to see the full expected amount arrive in her bank account).

Q11: How is money left over from purchasing bonds returned to the tax filer?

A check made out to the bond purchaser in the amount owed is mailed to the address entered on the bond order form. As an example, suppose a taxpayer expects a refund of \$500, and orders bonds worth \$375. After the IRS processes the tax return, the taxpayer receives only \$360, either because the IRS found an error on the return, or funds were deducted from the refund by FMS because the taxpayer had debt outstanding from student loans, alimony or child support payments, etc. Because bonds can only be bought in \$25 increments, the purchaser can now buy only \$350 worth of bonds. So H&R Block Bank will cut a check for \$10 and mail it to the purchaser.