

General Instructions

Purpose of Form

If you cashed series EE U.S. savings bonds that were issued after 1989 and you paid qualified higher education expenses during the year, you may be able to exclude from income part or all the interest on those bonds.

Use Form 8818 to keep a record of the post-1989 series EE bonds you cash. You will need the information on this form to complete **Form 8815**, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989. Form 8815 is used to figure the amount of interest you can exclude from your income when you file your income tax return. The instructions for your tax return will tell you how to take the exclusion.

Use a separate Form 8818 each time you cash series EE bonds issued after 1989. If you choose not to use Form 8818 but intend to exclude the interest from your income, you should keep records that include the information asked for on this form.

Series EE Bonds That Qualify for Exclusion

To qualify for the exclusion, the bonds must have been issued after 1989 in your name, or, if you are married, they may be issued in your name and your spouse's name. It does not matter who bought the bonds. Also, you must have been age 24 or older before the bonds were issued. A bond bought by a parent and issued in the name of his or her child who is under age 24 will not qualify for the exclusion by the parent or the child. However, the interest on the bond will be taxed at the child's rate once the child reaches age 14. Prior to reaching age 14, the interest may be taxed at the parent's or the child's rate depending on the total amount of the child's investment income (e.g., interest and dividends).

Note: *Interest on U.S. savings bonds is exempt from state and local income taxes.*

Qualified Higher Education Expenses

Qualified higher education expenses include tuition and fees, but not room and board, required for the enrollment or attendance at a college, university, or vocational education school. Beginning in 1998, qualified expenses also include contributions to a qualified state tuition program or to an education IRA. The expenses must be for you, your spouse, or your dependent.

Additional Information

For more details about the exclusion, including limits that apply to the amount you may exclude, see Form 8815 or **Pub. 550**, Investment Income and Expenses.

Step-by-Step Instructions

Step 1

Before you cash your bonds, separate the bonds issued after 1989 from the bonds issued before 1990. For each bond issued after 1989, enter the information asked for in columns (a), (b), and (c) of line 1. Then, add the amounts in column (c) and enter the total on line 2.

Step 2

Next, cash your bonds and enter on line 3 the total proceeds only from the bonds issued after 1989. Be sure to get this figure from the teller.

Step 3

Multiply the amount on line 2 by 50% (.50) and enter the result on line 4. This is your cost of the bonds.

Step 4

Subtract line 4 from line 3 and enter the result on line 5. This is the interest you may be able to exclude from your income. See Form 8815 for details.

Keep Form 8818 for your records. Do not send it to the IRS.

Paperwork Reduction Act Notice. Use of this form is optional. It is provided to help you figure your tax liability.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 7 min.
- Learning about the law or the form** 4 min.
- Preparing the form** 17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the form to this address. Instead, keep it for your records.

