Situation

Millions of Americans hold more than 40 million U.S. savings bonds that have fully matured. Some have lost bonds, others have forgotten them, and many think their bonds continue to earn interest. The current value of these matured, unclaimed bonds is over $16.5 billion and continues to increase.

When these savings bonds were sold, the Bureau of the Public Debt collected the name and address of the bond owner. This contact information is literally buried within five billion microfilm issuance records. The vast majority of microfilm records are not indexed and difficult to access. As a result, no one is actively searching for the owners of these matured unredeemed savings bonds.

Solution

The National Association of State Treasurers and the National Association of Unclaimed Property Administrators plan to reach out to Congress to propose the introduction of legislation.

The proposed legislation would leverage the proven resources of the states' unclaimed property programs that return billions of dollars annually to millions of rightful owners of lost funds.

What Legislation Would Do

Block Grant—Authorize a block grant to states for the purpose of notifying owners and assisting them in redeeming their bonds.

Demonstration Program—Appropriate limited funding for a pilot program.

Income Tax—Withhold taxes on matured savings bonds at the second highest rate.

Tax Compliance—Allow taxpayers to file an amended return upon redemption and claims withholding so long as there is income inclusion.

Miscellaneous Provisions—Authorize a cooperative agreement to examine records and identify missing owners; requires prompt payment of valid claims.

Debt Redemption—As states find missing bondholders, redemption of savings bonds would accelerate in reducing the amount of outstanding federal debt.

Public Policy Benefits

- Legislation would create a secure audit trail.
- The Bureau of Public Debt would oversee a uniform program that ensures nationwide standards.
- The legislation would have a budget offset and a dedicated funding source.

Please see next page for more about unredeemed savings bonds.
Since 1935, the U.S. Department of the Treasury Bureau of the Public Debt has issued more than six billion savings bonds worth more than $660 billion. Most are Series E bonds, which were issued first in 1941 and started maturing in 1981.

As of January 2009, $16.5 billion in savings bonds reached final maturity and ceased to earn interest. For most bonds before 1974, the Bureau cannot determine whether an individual owned any bonds or the disposition of a bond without its serial number.

The federal government does not have an active program or practical set of procedures to locate these bondholders to reunite them with the proceeds of their investment. To research a name, billions of non-indexed microfilm records would have to be examined one by one.

- **Bond Maturity**—Series E bonds sold through 1965 earned interest for 40 years. Later Series E/EE bonds and Series I bonds earn interest for 30 years. Series H/HH bonds earn interest for 20 years.
- **Bond Value**—The return on investment of a typical fully matured savings bond is $400.
- **Tax Implications**—Federal tax on investment earnings is due at the earlier of final maturity or redemption. Savings bonds are exempt from state income tax.