



### Topic 403 - Interest Received

Most interest that you either receive or is credited to an account that you can withdraw without penalty is **taxable income** in the year it becomes available to you. However, some interest you receive may be tax-exempt. You should receive Copy B of [Form 1099-INT](#) (PDF) or [Form 1099-OID](#) (PDF), generally with respect to payments of interest of \$10 or more showing the taxable interest (including OID). You should receive Copy B of Form 1099-INT with respect to payments of tax-exempt interest of \$10 or more, showing the reportable tax-exempt interest. You must include all taxable interest in your income on your federal income tax return, even if you don't receive a Form 1099-INT or 1099-OID. You must give the payer of interest income your correct taxpayer identification number; otherwise, you may be subject to a penalty and backup withholding. Refer to [Topic 307](#) for information on backup withholding.

#### Examples of Taxable Interest

- **Interest on bank accounts, money market accounts, certificates of deposit, corporate bonds and deposited insurance dividends** - Be aware that certain distributions, commonly referred to as dividends, are actually taxable interest. They include dividends on deposits or on share accounts in cooperative banks, credit unions, domestic building and loan associations, domestic federal savings and loan associations, and mutual savings banks.
- **Interest income from Treasury bills, notes and bonds** - This interest is subject to federal income tax, but is exempt from all state and local income taxes.
- **Savings Bond interest** - You can elect to include the interest in income each year, but you generally won't report interest on Series EE and Series I U.S. Savings Bonds until the earlier of when the bonds mature or when they're redeemed or disposed of. See the first bullet below for information about an exclusion from income for interest redeemed from certain Series EE and Series I bonds if you meet certain requirements.
- **Other interest** - Other interest paid to you by a business will be reported to you on Form 1099-INT if it is \$600 or more. Examples include interest received with damages or delayed death benefits.

#### Examples of Nontaxable or Excludable Interest

- Interest redeemed from Series EE and Series I bonds issued after 1989 may be excluded from income when used to pay for qualified higher educational expenses during the year and you meet the other requirements for the Educational Savings Bond Program. Figure the amount of excludable interest on [Form 8815](#) (PDF), *Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989*, and show it on [Form 1040A or 1040, Schedule B](#) (PDF), *Interest and Ordinary Dividends*. Refer to [Publication 550, Investment Income and Expenses](#), for detailed information.
- Interest on some bonds used to finance government operations and issued by a state, the District of Columbia, or a U.S. possession is reportable but not taxable at the federal level. Reporting tax-exempt interest received during the tax year is an information-reporting requirement only and doesn't convert tax-exempt interest into taxable interest.
- Interest on insurance dividends left on deposit with the [U.S. Department of Veterans Affairs](#) is nontaxable interest and not reportable.

#### Original Issue Discount Instruments

If a bond, note or other debt instrument was originally issued at a discount, part of the original issue discount may have to be included in income each year as interest. Refer to [Publication 550](#) or [Publication 1212, Guide to Original Issue Discount \(OID\) Instruments](#) for more information on original issue discount. You should receive a [Form 1099-OID](#) (PDF), *Original Issue Discount*, or a similar statement from each payer of taxable original issue discount of \$10 or more, showing the amount you should report.

#### Nominee Recipient

There are times when you may receive a Form 1099 for interest in your name that actually belongs to someone else. In this case, the IRS considers you a nominee recipient. If you received a [Form 1099-INT](#) (PDF), *Interest Income*, that includes an amount you received as a nominee for the real owner:

- See "Nominees" in the instructions on [Form 1040A or 1040, Schedule B](#) (PDF) for how to report the interest on your income tax return.
- You must then prepare a Form 1099-INT for the interest that's not yours unless that interest belongs to your spouse. Send Copy A of the 1099-INT and a completed [Form 1096](#) (PDF), *Annual Summary and Transmittal of U.S. Information Returns*, to the Internal Revenue Service and give Copy B to the actual owner. For more information on these requirements, refer to the [Form 1099-INT and 1099-OID Instructions](#).

#### Additional Information

If you receive taxable interest, you may have to pay estimated tax. For more information, see [Estimated Taxes](#) and [Do You Have to Pay Estimated Tax?](#) For more information on interest income, refer to [Publication 550](#).

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