

**Q1: How is the income earned on the US Treasury STRIP accounted for?**

**A1:** The US Treasury STRIP bond accretes income that is called Original Issue Discount (OID). OID income is a form of interest. You generally include OID income each year for tax purposes as it accretes over the term of the debt instrument, whether or not you receive any cash payments from the issuer.

A debt instrument generally has OID income when the instrument is issued for a price that is less than its stated redemption price at maturity (i.e., a discount). OID income is the difference between the stated redemption price at maturity and the issue/purchase price. All debt instruments that do not pay interest before maturity are presumed to be issued at a discount, thus producing OID income. The US Treasury STRIP bond is an example of this kind of instrument.

The Century Management *Realized Gains and Losses* report shows OID income for **only** those US Treasury STRIP bonds that were sold in 2007. This is the total OID income accreted during the entire holding period (from date of purchase to date of sale) for any US Treasury STRIP bonds that were sold in 2007. This accreted income is shown in the *Amort. or Accretion* column on the Century Management *Realized Gains and Losses* report.