



COMPLIANCE BULLETIN

IRS RELEASES GUIDANCE ON TRUMP ACCOUNTS: TAX-FAVORED ACCOUNTS FOR CHILDREN

On July 4, 2025, President Donald Trump signed a major tax and spending bill, commonly referred to as the "[One Big Beautiful Bill Act](#)" (OBBBA), into law. The OBBBA includes a variety of changes for employee benefit plans. Notably, it creates a new type of federal tax-favored account for children, called Trump Accounts, effective for tax years beginning in 2026.

Employers that establish a Trump Account Contribution Program can contribute up to **\$2,500** on a tax-free basis to the Trump Accounts of employees' dependents (or teenage employees). This program must be established pursuant to a written plan document and must meet certain tax rules that apply to dependent care assistance programs (DCAPs).

Key features of Trump Accounts include the following:

- + Children born between 2025 and 2028 may be eligible to receive a special **\$1,000** contribution from the federal government;
- + Annual contributions are generally limited to **\$5,000** and may only be made beginning 12 months after the OBBBA's enactment (i.e., **July 4, 2026**);
- + The accounts are treated similarly to traditional individual retirement accounts (IRAs) for tax purposes, with special rules applying until the calendar year in which the child reaches age 18; and
- + Withdrawals are not permitted until the year that the child reaches age 18, subject to a few limited exceptions.

IRS GUIDANCE

On Dec. 2, 2025, the IRS issued [Notice 2025-68](#) to announce upcoming proposed regulations and provide initial guidance on Trump Accounts. Employers interested in a Trump Account Contribution Program should watch for additional implementation guidance, including the proposed regulations.

KEY ASPECTS

- + Trump Accounts may be established for all eligible children, although children born in 2025-28 may be eligible to receive a \$1,000 federal funding contribution.
- + Contributions may be made by parents, relatives or other taxpayers.
- + Although taxpayers' contributions are not tax deductible, earnings grow tax-deferred.
- + Withdrawals are permitted after age 18.

EMPLOYER CONTRIBUTIONS

- + Employers can make tax-free contributions to the Trump Accounts of their employees' dependents.
- + The limit for these contributions is \$2,500 (adjusted for inflation after 2027).
- + This contribution program is subject to specific compliance requirements.





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OVERVIEW

Trump Accounts are a new tax-advantaged savings program for children **under the age of 18**, effective for tax years beginning in 2026. These accounts will operate similarly to traditional IRAs, where investment **earnings grow tax-deferred**. According to the [White House](#), Trump Accounts will give children "the chance to experience the miracle of compounded growth and set them on a course for prosperity from the very beginning."

Contributions to Trump Accounts may start **July 4, 2026** (one year after the OBBBA's enactment), and can be made by anyone, including the account beneficiary, parents or guardians, grandparents, employers, philanthropic contributors or any other source. Children born between 2025 and 2028 may be eligible to receive a special **\$1,000 contribution** from the federal government through a pilot program.

Taxpayers will use **IRS Form 4547** to establish Trump Accounts for eligible children. This same form is used to make an election to participate in the federal government's \$1,000 pilot program. Beginning in May 2026, the IRS will send information to taxpayers who make this election to activate Trump Accounts through an authentication process. The IRS has indicated that a draft version of Form 4547 will be made available [here](#).

SPECIAL RULES

IRS Notice 2025-68 clarifies that Trump Accounts are a type of traditional IRA subject to special rules during the "growth period," which is the period that ends before Jan. 1 of the calendar year in which the account beneficiary attains age 18. For example, a child born on Oct. 1, 2025, would attain age 18 on Oct. 1, 2043, and therefore the last day of the growth period for that child would be Dec. 31, 2042. After the growth period, most of these special rules cease to apply, and the rules governing traditional IRAs generally apply to Trump Accounts.

The following special rules apply to Trump Accounts during the growth period:

- + **Investments:** Funds may be invested only in eligible investments. An eligible investment, generally, is a mutual fund or exchange traded fund that tracks an index of primarily U.S. companies, such as the Standard and Poor's 500 stock market index, does not use leverage, does not have annual fees and expenses of more than 0.1% of the balance of the investment in the fund, and meets other criteria that the IRS determines appropriate;
- + **Contributions:** Contributions are subject to an annual limit of **\$5,000** (subject to cost-of-living adjustments after 2027), although certain types of contributions are not counted toward this limit, such as the federal government's \$1,000 pilot program contributions and contributions from governments or tax-exempt organizations. Contributions are not includible in the account beneficiary's income for federal tax purposes when they are made;
- + **Distributions:** Distributions are not allowed from Trump Accounts during the growth period, subject to a few limited exceptions. After the end of the growth period, distributions are generally subject to the rules that apply to traditional IRA distributions, including the 10% additional tax on early distributions if an exception does not apply (such as a distribution for qualified higher education expenses or first home purchases or distributions made after age 59 and a half); and
- + **Reporting:** Trump Accounts are subject to additional reporting requirements, such as providing information regarding the source of contributions, under Internal Revenue Code (Code) Section 530A(i) during the growth period. After the growth period, the IRA reporting requirements of Code Section 408(i) apply.





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EMPLOYER CONTRIBUTIONS

Employers can contribute to the Trump Account of an employee or an employee's dependent pursuant to a Code Section 128(c) Trump Account Contribution Program. These contributions are not includible in the employee's income for federal tax purposes. Contributions are limited to \$2,500 per employee per year, subject to cost-of-living adjustments after 2027. This program must be established pursuant to a written plan document and comply with the following tax rules that are also applicable to DCAPs:

- + **Nondiscrimination:** The program's eligibility rules, contributions or benefits cannot discriminate in favor of highly compensated employees or their dependents;
- + **Employee notification:** Eligible employees must receive reasonable notification of the program's availability and terms; and
- + **Expense statement:** On or before Jan. 31 each year, employees must be provided with a written statement showing the amounts paid or expenses incurred by the employer in providing the program during the previous calendar year. Note that, for DCAPs, employers report dependent care benefits on employees' Form W-2.

IRS Notice 2025-68 also provides the following guidance for employer-sponsored Trump Account Contribution Programs:

- + The annual contribution limit is a **per-employee limit** (not a per-dependent limit). For example, if an employee has two or more children who have Trump Accounts, an employer may only contribute up to \$2,500 in the aggregate for 2026 to those Trump Accounts;
- + An employer must **affirmatively indicate to the trustee** of the Trump Account that the employer's contribution is a Section 128 employer contribution excludible from the gross income of the employee; and
- + A Trump Account Contribution Program may be offered **via salary reduction under a Section 125 cafeteria plan** if the contribution is made to the Trump Account of the employee's dependent but not if the contribution is made to the Trump Account of the employee.

