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Trump Accounts and Contribution Pilot Program

The One Big Beautiful Bill Act, signed into law on July 4, 2025, created a new tax-deferred investment account for children, called Trump Accounts, under Internal Revenue Code § 530A. These provisions are referred to in Treasury and IRS guidance as part of the Working Families Tax Cuts legislation.

A Trump Account is a new investment account established for the exclusive benefit of an eligible child under age 18. Contributions may begin on or after July 4, 2026, and the rules generally apply for tax years beginning after December 31, 2025.

Trump Accounts operate similarly to traditional individual retirement accounts (IRAs), but with additional rules that apply during the "growth period" (the date the account is established through December 31 of the year before the child's 18th birthday). Distributions are prohibited during the growth period and are not allowed until the first day of the calendar year in which the child reaches age 18. After that point, the account is generally treated as a traditional IRA under I.R.C. § 408.

Definitions

An ***eligible individual*** is any child who:

- Has not attained age 18 before the close of the calendar year in which an election is made to establish a Trump Account for the child;
- Has been issued a Social Security number before the date of that election; and
- Is the subject of a valid election to establish a Trump Account (made by a parent, guardian, or other authorized individual, or in limited cases by the Secretary of the Treasury).

An ***eligible investment*** is, during the growth period, a mutual fund or exchange-traded fund that:

- Tracks the returns of a qualified index (e.g., Standard and Poor's 500 stock market index);
- Does not use leverage (i.e., the fund does not borrow money or use derivatives to amplify investment returns); and
- Does not have annual fees and expenses of more than 0.1% of the balance of the fund's investment.

During the growth period, the account must be invested only in eligible investments, and trustees must maintain procedures to ensure compliance and to monitor ongoing eligibility.

Contribution Rules

The maximum annual contribution for an eligible child is $5,000 from all sources combined, starting in 2026. This limit is indexed for inflation beginning in 2028. Contributions apply only in the year they are actually made (prior-year contributions are not permitted).

Source of Contributions

The following may contribute, subject to the annual limit:

- Parents or guardians
- Other family members or friends
- Certain governmental entities
- Qualifying charitable organizations
- Employers (subject to I.R.C. § 128 rules)

Employer Contributions

A separate written plan document is required for an employer-sponsored Trump Account contribution program under § 128. Employers may facilitate employee contributions (for example, through payroll), but any use of salary-reduction or cafeteria plan features must follow future IRS guidance under § 125 and related provisions.

Under § 128, employers may contribute up to $2,500 per employee per year to accounts for employees' or their dependents', when they meet the eligible individual definition. Employer contributions:

- Must be made under a separate written Trump Account contribution program meeting similar requirements to those for dependent care assistance programs (e.g., nondiscrimination, eligibility, and notification rules);
- Are excluded from the employee's gross income; and
- Count toward the child's $5,000 annual limit.

Employer contributions are indexed for inflation beginning in 2028.

Federal Contribution Pilot Program

A separate one-time federal contribution of $1,000 is available to accounts for children who:

- Are born after December 31, 2024, and before January 1, 2029;
- Are U.S. citizens;
- Have no prior election made (e.g., an account set up by a parent); and
- Have a Social Security number.

Pilot contributions will be paid no earlier than July 4, 2026, after an account is established and the election is processed. Elections to open the initial account and to receive the pilot contribution are made using Form 4547, *Trump Account Election(s)*, or online (once available).

Qualified Rollover Contributions

I.R.C. § 530A permits qualified rollover contributions into a Trump Account under rules similar to traditional IRA rollovers, with additional restrictions during the growth period. These rollovers allow assets to move into the account without being treated as taxable distributions or regular annual contributions.

A qualified rollover contribution generally includes:

- Rollovers from another Trump Account for the same beneficiary;
- Rollovers from another Trump Account for a different eligible child, if permitted under Treasury guidance;
- Rollovers from certain government-funded child accounts designated by statute; and
- Any additional rollovers the Department of the Treasury may allow in future regulations.

Qualified rollovers do not count toward the $5,000 annual contribution limit.

Once rollover funds enter a Trump Account, the assets:

- Must immediately comply with the eligible investment restrictions for the growth period;
- Cannot be distributed until the child reaches the statutorily permitted distribution date; and
- Are subject to all other § 530A rules, including trustee oversight and reporting requirements.

During the growth period:

- Funds cannot be rolled out of a Trump Account to another IRA or account type.
- After the child reaches the eligible distribution age, rollovers to traditional IRAs are expected to be permitted under rules similar to § 408(d)(3), pending additional guidance.

Distributions

Distributions are not permitted for any reason during the growth period. Assets may not be withdrawn, pledged, assigned, or used as collateral, or rolled out of the account. These restrictions apply regardless of financial hardship, educational expenses, medical expenses, or other circumstances.

Beginning on January 1 of the calendar year in which the child turns 18, the Trump Account is treated as a traditional IRA. At that point:

- Distributions may be made under the traditional IRA rules.
- Early distribution penalties, income inclusion, and exceptions follow normal IRA tax treatment.
- The account may accept or make IRA-permitted rollovers (subject to future guidance).
- Any investments not permitted during the growth period may be added.

Reporting and Compliance Requirements

Trump Accounts are subject to specific reporting obligations for trustees, employers, and individuals.

Trustee Reporting

Trustees must comply with reporting requirements similar to those for traditional IRAs, including:

- Annual reporting to the IRS and to the beneficiary (or responsible adult) regarding contributions, balances, rollovers, and investment eligibility;
- Reporting of federal pilot contributions;
- Notification if the account holds any investment that ceases to be an eligible investment during the growth period; and
- Any additional reporting required through future regulations or IRS forms.

Employer Reporting

Employers operating a Trump Account contribution program must:

- Maintain a written plan document;
- Comply with employee notice, eligibility, and nondiscrimination requirements;
- Report employer contributions as excludable § 128 benefits (similar to dependent care benefits reporting); and
- Provide any plan-level reporting required by future regulations.

Individual and Election Reporting

Parents, guardians, or authorized individuals must:

- File the election to establish the Trump Account (Form 4547 or online equivalent);
- File the election to receive the federal pilot contribution, if applicable; and
- Ensure that only one Trump Account election exists per eligible child.

Future guidance may clarify whether individuals must report contributions or distributions on their federal income tax returns.

Official Guidance

The Secretary of the Treasury is directed to issue regulations implementing §§ 530A, 128, and 6434. IRS Notice 2025-68 provides the initial guidance and indicates that forthcoming proposed regulations are expected to be consistent with the Q&A guidance provided in the notice.