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# Employee Benefits Corner

## Trump Accounts Coming Soon

By Elizabeth Thomas Dold and David N. Levine

The first round of Internal Revenue Service (IRS)/Treasury guidance—Notice 2025-68—has been issued for Trump Accounts, the new form of traditional individual retirement account (IRA) for children that was added to the Code Sec. 530A effective July 4, 2026 under the One Big Beautiful Bill Act (OBBBA). The Notice provides a framework for the Trump Accounts, and through its question and answer (Q&A) format explains the various Trump Account requirements. The key areas of guidance include establishing the accounts, permissible contributions, distribution restrictions, investment restrictions, and reporting requirements, which are summarized below. Notably, these special rules that are described below apply during the growth period—the period that ends before January 1 of the calendar year in which the child attains age 18. Once the growth period ends, the regular IRA rules apply, which can facilitate further savings through a rollover to a qualified plan, or conversion to a Roth IRA (which provides for earnings to be tax free for a qualified distribution).

### Account Establishment

#### Who Is Eligible to Have a Trump Account?

An account is established for an “eligible individual,” which is any individual (i) for whom an election is made to establish a Trump Account, (ii) who has not attained age 18 before the close of the calendar year in which the election is made, and (iii) for who is a U.S. citizen and a social security number has been issued before the date of the election.

#### How Is a Trump Account Established?

An initial Trump Account is established during the “growth period” by an “authorized individual” on IRS Form 4547 (or a pending tool/application on [trumpaccounts.gov](http://trumpaccounts.gov)—anticipated to be available mid-2026). If the account is set up at the same time as the election for a pilot program contribution, the “authorized individual” must be an individual who anticipates that the eligible child will be his or her qualifying child (as defined in Code Sec. 152(c)) for the tax year in which the election is made. If the account is not set up at the same time as the pilot contribution election, the “authorized individual” must be a legal guardian, a parent, adult sibling, or grandparent of the eligible individual, in that order of priority.

After the election is made, Treasury (or its agent) will send information, beginning May 2026, to the authorized individual to activate the Trump Account through an authentication process and complete the opening of the initial account. This authorized individual will be the responsible party for the account with authority to select investments, request a transfer for a qualified rollover contribution or qualified ABLE rollover contribution, or select a successor responsible party.

### Who Can Be the Custodian or Trustee of the Trump Account?

All Trump accounts must be established with the “initial trustee” (or trustees) selected by Treasury, regardless of the source of the contributions. Each child is only permitted to have a single Trump Account, but importantly, once established with the initial trustee, the entire account can be directly rolled over to another IRA provider through a direct trustee-to-trustee transfer that is a bank or non-bank trustee that has notified the IRS that they will offer Trump Accounts. Any current IRA trustee or custodian, including IRS-approved non-bank trustees and custodians, will be eligible to offer the accounts.

### What Does the Trump Account Documentation Look Like?

The written terms of a Trump Account must (1) be designated as a Trump Account at the time of establishment, (2) be a trust or custodial arrangement under Code section 408(a), not a Roth or Savings Incentive Match Plan for Employees (SIMPLE) IRA, and (3) generally set forth the existing IRA rules and the new special Trump account rules—a “listing of required modification” (LRM) sample language for such rules is pending with the IRS. As the account is an IRA, there will also be a disclosure statement that summarizes the rules of the IRA.

### Can a Trump Account be Rolled Over to Another Trump Account or Qualified Plan?

The initial Trump account can be transferred during the growth period through a qualified rollover contribution to a rollover Trump Account, provided the initial account is closed. After the growth period, the account can be rolled into an IRA or, provided there is no tax basis in the account, a qualified plan (401(a), 403(a), 403(b), governmental 457(b) plan). The account can also be structured to automatically transfer the account

balance to a traditional IRA at the end of the growth period.

## Contributions

### What Types of Contributions Are Permitted to a Trump Account?

During the growth period, the following contributions can be made to an account (all without impacting the ability to also make a full IRA contribution): (1) Pilot Program Contributions, (2) Qualified General Contributions, (3) Code Sec. 128 Program Contributions, (4) individual contributions, and (5) Qualified Rollover Contributions to another Trump Account (as described above). There is an annual contribution cap of \$5,000 (indexed), but the cap does not apply to qualified rollover contributions, pilot program contributions, or qualified general contributions. Unlike other types of traditional IRAs, the contribution for the year must be made by year-end (not the tax filing deadline).

### What Are Pilot Program Contributions?

To get these accounts started on the right foot, the federal government will contribute \$1,000 for each U.S. citizen born in 2025–2028, provided a proper election is made by an individual who anticipates that the eligible child will be his or her qualifying child (as defined in Code Sec. 152(c)) for the tax year in which the election is made. This election is made on an IRS Form 4547 or *via trumpaccounts.gov*. The contribution will be made to the initial account as soon as practicable after the election is made (not earlier than July 4, 2026).

### What Are Qualified General Contributions?

A state (or political subdivision thereof) or charity (a Code Sec. 501(c)(3) tax-exempt organization) can make qualified general contributions for a qualified class, which is processed through making an application (available after July 4, 2026) with Treasury, which will then transfer the contribution to the Account trustees. For the initial rollout, pending Treasury’s designation of a “qualified geographic area,” a qualified class can consist only of: (1) all account beneficiaries who are in the growth period when the contribution is made; (2) all account beneficiaries who are in the growth period when the contribution is made and who live in one or more states (including the District of Columbia) specified by the general funding contribution; or (3) all account beneficiaries who are in

the growth period when the contribution is made and who were born in one or more calendar years specified by the general funding contribution. Notably, no additional eligibility requirements can be imposed.

## What Are Code Sec. 128 Program Contributions?

Importantly, employers can make contributions to these Accounts without triggering taxation for the employee. Specifically, employers can make contributions to an account for their eligible employees or the employee's eligible dependent children, up to \$2,500 annually per employee (not per dependent child), and the contributions are excludable from the employee's income (*i.e.*, are not taxable wages). Moreover, the Notice clarifies that a 128 Program can offer employee salary reduction contributions as part of the employer's cafeteria plan for the employee's eligible dependent children (but not for an employee's own account). Lastly, the Notice states that Treasury is working closely with the Department of Labor to issue guidance clarifying how employers can facilitate Trump Accounts without creating an Employee Retirement Income Security Act of 1974 (ERISA)-covered plan.

## What Duties Apply to a Trump Account Custodian/Trustee Regarding Contributions?

The trustee is required to establish procedures to prevent excess contributions. Treasury is considering allowing trustees to establish a procedure for receiving contributions to a general account so that funds can be returned to the contributor prior to reaching the Trump Account if any portion of the contribution would exceed the limit, and presumably avoiding excise taxes.

## Distribution Restrictions

### What Distribution Restrictions Apply?

During the growth period, no distributions are permitted, except for (1) Qualified Rollover Contribution, (2) qualified Achieving a Better Life Experience (ABLE) rollover contribution (which permits a transfer to an ABLE account only during the calendar year in which the child attains age 17), (3) a distribution of excess contributions, or (4) a distribution upon the death of the child. Regarding

death distributions, (1) if the child dies during the growth period, the Account ceases, and the assets are treated as distributed to the Account beneficiary, and (2) if the child dies after the growth period, the standard IRA rules apply (*e.g.*, inherited IRA for the beneficiary).

### Is a Hardship Distribution Available?

Notably, there is no exception for a hardship distribution during the growth period (unlike many 401(k) plans).

### What Distribution Rules Apply After the Growth Period?

After the growth period, the Account continues (unless the document provides for automatic transfer to a traditional IRA), and distributions from the Account are generally subject to regular IRA distribution rules (although no aggregation of basis with other IRAs).

### What Duties Apply to a Trump Account Custodian/Trustee Regarding Distributions?

The trustee must have procedures in place to comply with these strict distribution restrictions.

## Investment Restrictions

### What Investment Restrictions Apply?

During the growth period, no part of the account may be invested in any asset other than an eligible investment, which is any mutual fund or exchange traded fund (ETF) that (i) tracks the returns of a qualified index, (ii) does not use leverage, (iii) does not have annual fees and expenses of more than 0.10% of the balance of the investment in the fund, and (iv) meets such other criteria as the Secretary determines appropriate. The Notice provides details on the type of investments that fall within these parameters, with very limited exception to hold cash.

### What Duties Apply to a Trump Account Custodian/Trustee Regarding Investment Restrictions?

The trustee must have procedures to comply with these strict investment restrictions and must select a default investment that meets these requirements for any uninvested funds.

## Reporting Requirements

### What Duties Apply to a Trump Account Custodian/Trustee Regarding Reporting Requirements?

The trustee of the account must satisfy a number of reporting requirements, including reports on:

- annual contributions, including the source of contributions, and the amount and identity of a contributor of a Qualified General Contribution (if requested);
- the Account annually to the IRS and the account beneficiary regarding the Account (forms and instructions pending); and

- Qualified Rollover Contributions to the IRS and between trustees.

### Conclusion

The first round of IRS guidance provides a strong framework around this new IRA structure and provides employers and employees (and others) with an opportunity to help save for the financial wellness of the next generation. More to come in the way of proposed regulations and related matters, which have top priority at the IRS and Treasury.

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