

Trump Accounts, Again!

Quick-Take: While Trump Accounts are ‘like’ IRAs once the beneficiary attains age 18, they are different, and there are five different ways contributions can be made to a Trump Account.

Background: The One Big Beautiful Bill Act (OB3) gave us Trump Accounts to encourage savings for young individuals. While they are taxed like IRAs after the growth/accumulation phase, there are different sources from which contributions can be made to a Trump Account, making them more confusing than contributions to a traditional IRA.

Contribution Sources: There are five different sources for contributions to a Trump Account: (i) the ‘pilot program’ contribution of \$1,000; (ii) qualified general contributions, which are allocated equally among members of the ‘qualified class’; (iii) IRC 128 employer contributions, but no more than \$2,500 a year; (iv) qualified rollover contributions; and (v) contributions from other individuals, not to exceed \$5,000 a year. Each source is briefly described below.

Pilot Program Contributions: For a child born between December 31, 2024, and January 1, 2029, the government will contribute \$1,000 to a Trump Account that is opened for that child. The child must have a Social Security number and his/her parents be US citizens. There must be a formal election that is made for this contribution to occur. The \$1,000 contribution is NOT basis in the account, nor is it treated as income to the child. No contributions can be made before July 4, 2026.

Qualified General Contributions: This source of contribution can be confusing. A qualified general contribution is funded by a state, the USA, the District of Columbia, an Indian tribal government, or an IRC 501(c)(3) tax exempt organization. This entails the use of a ‘general funding contribution’ that identifies a ‘qualified class’ of account beneficiaries. Treasury will disburse the amount to each Trump Account. Again, the contributions are not treated as income for the beneficiary, nor will the contributions create basis in the Trump Account. With this general funding contribution, all contributions will be allocated equally among the members of the ‘qualified class.’

Employer Contributions: An employer can contribute up to \$2,500 per year to a Trump Account of an employee or an employee's dependent. The \$2,500 limit applies per employee, not per dependent. This dollar limit will be indexed for inflation starting in 2028. Again, the employer's contribution will not be treated as taxable income to the account beneficiary, nor will it be treated as basis. The employer that makes the contribution must formally report the contribution as an IRC 128 employer contribution when it is made.

Qualified Rollover: More rules. A qualified rollover contribution regarding a Trump Account is a trustee-to-trustee transfer of the *entire balance* of a single Trump Account, for the *same beneficiary*. A rollover of the Trump Account balance is only permitted during the growth period of the account, i.e., before the child attains age 18. Basis is carried over with the rollover to the new Trump Account, nor does the rollover create any new basis in the Trump Account. Unlike contributions from others, a rollover of a Trump Account is not limited to \$5,000. Partial rollovers of a Trump Account are *not* permitted. Communication between the trustees confirming that it is a Trump Account that is being transferred will be required, and the receiving trustee must then report the transfer to Treasury within 30 days.

Contributions from Others: The source of these contributions can be by the beneficiary themselves, parents, grandparents, or any other individual, who is not acting as an employer, or the government, or a charitable contributor. The annual dollar limit on this contribution is \$5,000 for 2026 and 2027. This dollar limit starts to be adjusted for cost-of-living in 2028. What is important is that a Trump Account trustee must enforce the annual contribution limit, nor can a trustee accept contributions that exceed the limit. Nor can contributions to a Trump Account be designated by a contributor for a prior year. To state the obvious, any contribution to a Trump Account is not tax deductible, and it will be classified as a gift.

Basis in a Trump Account: Only contributions derived from individuals will create *basis* in a Trump Account. Restated, exempt pilot program contributions, qualified general contributions, IRC 128 employer contributions, and rollover contributions will *not* create basis in a Trump Account. No contributions can be made to a Trump Account until July 4, 2026. The burden will be on a Trump Account trustee to determine if a Trump Account has any basis and the trustee must continue to 'track' basis as additional contributions are made to the account.

Not an IRA: While a Trump Account is generally treated, and taxed, like an IRA once the child attains the age of 18, prior to that birthday a Trump Account is not treated, or taxed, like an IRA. For example, the child does not have to have any earned income in order for a contribution to be made to a Trump Account established in their name. In addition, even if a contribution is made to a Trump Account, that will not affect contributions made to a traditional or Roth IRA in the name of the child. Each account's contribution rules applies independently of the other account.

Conclusion: I wonder how many employers or tax exempt entities will actually make contributions to Trump Accounts for employees, dependents of employees, or a general class of youngsters? Many will open Trump Accounts just to qualify for the pilot program's 'seed' \$1,000 contribution, but how much more will be contributed to a Trump Account where there is no access to the funds until the child attains age 18? Time will tell but, apparently, we will have 'Trump' in our lives long-after he is gone and out of office (if ever!).

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