

## Trump Accounts- New (Not So Good) Revelations

**Quick-Take:** Trump Accounts just got more complicated (or confusing, take your pick) with the recent Proposed Regulations.

**Background:** The IRS just released additional proposed Regulations regarding Trump Accounts specifically focusing on the pilot program \$1,000 contribution by the federal government. There were some unexpected surprises in those Regulations, particularly dealing with the \$1,000 ‘seed’ contribution from the government, which in effect create a second set of rules to be followed.

**Two Programs:** There are actually two separate IRC sections that are associated with Trump Accounts. There is the now relatively well-known provision that governs Trump Accounts, i.e., IRC 530A. But then, with some surprise, a separate Tax Code provision deals with the federal government’s Contribution Pilot Program, i.e., the \$1,000 ‘seed’ or pilot contribution, which is covered under IRC 6434. Accordingly, there are two sets of rules that will have to be followed: (i) the set- up and operation of a Trump Account; and (ii) a different set of rules that apply to the temporary ‘seed’ or pilot funding program sourced with from the U.S. government.

**Pilot Program:** With the ‘seed’ contribution, the child is treated as having made the payment against income tax in the amount of \$1,000. As noted from previous missives, this is a temporary pilot program for contributions to ‘qualifying’ children. This election will not be cancelled (or forfeited) just because the child’s dependency is not satisfied in a future year.

**Qualifying Child:** Eligibility for a Trump Account will not automatically mean eligibility for a pilot program contribution. To become eligible to receive a pilot contribution, the program electing individual, e.g., the child’s parent, must make an election with respect to the *eligible* child of that individual. Recall that to be an *eligible* child to receive the pilot contribution that child must: (i) be a qualified child of the person who makes the election for tax purposes; (ii) be born after December 31, 2024 and before January 1, 2029, i.e., a 4-year window; (iii) be a U.S. citizen; and (iv) have no prior election made for the pilot

contribution. Consequently, while a child might qualify to have a Trump Account opened for him/her they may not qualify for a pilot program contribution.

**Example:** Madison was born on July 15, 2024. Her brother, Rex, was born on August 20, 2025. Madison can have a Trump Account opened for her, but she will not qualify for a pilot program contribution. Rex will qualify for the \$1,000 seed contribution to his Trump Account.

**Restrictions:** As a generalization, the pilot contribution rules are more restrictive, probably because they represent federal dollars. As noted earlier, (i) only a child born in the 4-year window qualifies, (ii) their Social Security number has to be provided with the necessary election form, (iii) only one election can be made for that child, and (iv) penalties exist for negligent or fraudulent claims. These four restrictions do not apply to ‘regular’ Trump Account contributions.

**Elections:** A different process is used to open a Trump Account from the election to receive a pilot or ‘seed’ contribution. Trump Accounts are normally created through an election filed by an authorized individual, e.g., the child’s parent. With regard to the pilot contribution a specific election process is spelled out in IRC 6434. For the ‘seed’ contribution, the Department of Treasury establishes the Trump Account for the *eligible* child if Treasury determines that the statutory eligibility requirements are met and no prior election has been made on behalf of the child. In short, a parent creates a Trump Account through an election, while pilot contributions require a specific election described in IRC 6434; this distinction affects who is the responsible person who interacts with the program and who may make the necessary election.

**Who Elects?** For the pilot program election, that election must be made by a person with respect to that person’s qualifying child as defined in IRC 152(c). For a Trump Account, the election to establish the account can be made by a responsible individual, which includes a parent, a legal guardian, or another individual who is authorized to act on behalf of the child.

**Broad Time for the Pilot Program Election:** Under these Proposed Regulation, an election can be made beginning on the date that the child becomes eligible. The last day by which to make the election is December 31 of the calendar year in which the child attains the age 17. This means that the election can be made at any time during the period in which the child is eligible to have a Trump Account established and funded. Therefore, if the pilot election is made near the end of this period of time, Treasury may still deposit the \$1,000 pilot contribution after the growth period ends, so long as a Trump Account has already been created for that child and the account has not otherwise ceased to exist. In sum, this broad election period will permit that an *eligible* child will not lose his/her access to the pilot contribution merely because that election was delayed.

**Conclusion:** These Proposed Regulations create a second set of rules that will have to be followed, along with a second election, if the goal is to attract the \$1,000 pilot program contribution to a Trump Account. It is nice to see the broad period in which a 'late' election for a pilot contribution can be made to a Trump Account, but if one of the key reasons for the pilot contribution is to permit that contribution, along with other contributions to the Trump Account, to compound during the growth period of all Trump Accounts, waiting until the child is age 17 to only then make the pilot-election makes little sense.

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