

Trump Accounts (Briefly)

A special website has been set up by the government to provide information for the Trump accounts. This site is trumpaccounts.gov.

A Trump account is very similar to a traditional IRA after the initial “growth period.” Contributions can be made by various entities. When the money comes out, it will be taxed to the beneficiary in the same manner as a traditional IRA.

A Trump account can be set up for anyone who is NOT YET 18 as of year-end. Each person can only have ONE Trump account.

CONTRIBUTIONS:

1) Only for those children born after December 31, 2024, and before January 1, 2029, the government will contribute \$1,000 into the account ONCE AN ELECTION is made by the authorized person. Children born before 2025 can still have a Trump account, but will not get this \$1,000.

2) Qualified general contributions can be made by Federal government, states, D.C., tribal governments, or nonprofits.

3) Employers can make contributions to the employees’ accounts and the employees’ children’s accounts, without the contribution being taxable to the employee. The maximum employer contribution is \$2,500 per EMPLOYEE, not per employee’s child.

4) Employees can make pre-tax contributions to their children’s account.

5) Other individuals can make nondeductible contributions to anyone’s account.

Contributions by #3, 4 and 5 above have a combined overall limit of \$5,000 per year. Contributions by #1 and 2 are not part of this \$5,000 limit.

The beneficiary will have a BASIS in the account ONLY for contributions that fall under #5 above. This will be important when the beneficiary takes money from the account.

BENEFITS:

Benefits we see to setting up a Trump account:

- The U.S. government will contribute a \$1,000 pilot program amount for any child born during 2025-2028, upon the responsible party making such as election.

- Contributions can be made without regard to whether the child has earned income, whereas an IRA requires earned income.
- Contributions can be made by governments or other nonprofits.
- No one may take money out of the Trump Account before the beginning of the year in which the beneficiary turns age 18.

SETTING UP THE ACCOUNT

Form 4547 is used to start the process of setting up an account. The account can only be opened by an authorized individual, which is generally a parent or legal guardian (see IRS Notice 2025-68). Form 4547 can be included with the 2025 tax return of the authorized individual. (If e-filing, this would also require the use of Form 8879-TA.) Once the government confirms an account has not already been set up, it will send information to the authorized individual who filed the Form 4547. This individual then uses this information to set up the account with a financial institution. Alternatively, setting up an account can be performed on trumpaccounts.gov (when the website has established the process).

Form 4547 can also be used to request the U.S. government's \$1,000 pilot program contribution for qualified beneficiaries. This can be done at the time the original Form 4547 is filed (see Form 4547, Part III, line 7). In order to receive these funds, this election can ONLY be made by an authorized individual who claims the child on their tax return. If the authorized individual who set the account up is not able to claim the child, the authorized individual may need to change the authorized individual to a taxpayer who will be claiming the child.

The account CANNOT be distributed prior to the year the child reaches age 18 ("growth period"). Starting the year the child reaches age 18, the child can take distributions of some or all of the account. BUT the account is treated as a traditional IRA and taxed accordingly, including the early distribution penalty. Some "children" will roll it into an IRA, others will cash it out the year they turn age 18 and end up paying a bunch of tax and penalties, others will use it for qualified education expenses and avoid the penalty, others may convert it to a Roth IRA along with the related tax consequences.