

Trump Accounts & IRS Initial Guidance Notice

Summary

On December 3, 2025, the IRS issued [initial guidance](#) on Trump Accounts: a new retirement savings program for children created under the *One Big Beautiful Bill Act (OBBBA)*.

Contributions begin July 4, 2026. Children born between 2025 and 2028 will automatically receive a \$1,000 federal pilot deposit when an account is opened. While beneficiaries are under 18, Trump Accounts follow special rules for contributions, investments, and withdrawals. After age 18, they generally operate like traditional IRAs but retain unique tax reporting and rollover features.

The IRS' guidance also outlines how families, employers, and governments can contribute: annual contributions are capped at \$5,000, employers may add up to \$2,500, and state or local governments (or charities) may provide broader "qualified general contributions." It is important to note that participation in a Trump Account Contribution Program is **voluntary**, with each employer deciding whether to offer it. Under IRS guidance in **Section 128 (c)**, the program must be established as a separate written plan through which employers can make contributions to Trump Accounts for their employees or their dependents.

Important Considerations for State and Local Governments:

- Contributions begin July 4, 2026.
- Children born 2025–2028 receive a one-time \$1,000 federal deposit.
- Annual contribution limit: \$5,000 (+ employer contributions up to \$2,500).
- Investments restricted to low-cost, broad-market index funds ($\leq 0.1\%$ fees).
- Withdrawals prohibited before age 18, except in limited cases.
- Employers must **affirmatively notify** the trustee whenever a contribution is made under Section 128.
- Employers must establish a formal program and reporting process if they choose to offer contributions.
- Employees cannot independently elect a Section 128 contribution unless the employer offers the program.

Eligibility

- Child must be under 18 in the year the account is opened.

- A Social Security number is required.
- Account (s) must be opened by a parent, guardian, adult sibling, or grandparent.
- Children born Jan. 1, 2025 – Dec. 31, 2028 qualify for the \$1,000 pilot deposit.
- Annual contribution limit: \$5,000 (excluding the federal deposit or other exempt contributions).
- Investments before age 18 must be in low-cost mutual funds or ETFs tracking broad U.S. stock indexes, with fees $\leq 0.1\%$.

Employer Administrative Obligations

- Employers may contribute up to \$2,500 annually to an employee's child's Trump Account (or to a minor employee's own account).
- Contributions must be offered through a formal Trump Account Contribution Program, similar to dependent-care or other tax-favored benefits.
- Employers must:
 - Identify contributions as Section 128 employer contributions.
 - Maintain a written plan, employee notices, and compliance procedures.
 - Ensure compliance with nondiscrimination rules.
- Payroll adjustments and reporting processes will be required starting in 2026.

Implications for State and Local Government that Wish to Participate

- State and local governments may contribute through "qualified general contributions," either broadly or to targeted groups of eligible children.
- State and local government employers must prepare for new administrative responsibilities if they choose to offer contributions.
- Finance officers may face resident questions about eligibility, state participation, and long-term savings impacts.
- After age 18, Trump Accounts function much like IRAs, allowing rollovers and retirement planning, though basis and aggregation rules remain distinct.

- Members should monitor upcoming IRS regulations, which are expected to clarify reporting, investment rules, and employer program requirements.

To learn more, read the IRS Notice 2025-68 [here!](#)

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