

MEMO: Important Information About Trump Accounts (Based on law and IRS guidance available as of September 4, 2026.)

From: FELTZ ASSOCIATES, LLC
Nancy M Feltz Paparazzo, EA

Dear Client:

A new type of tax-advantaged account, known as a “Trump Account,” is available for eligible children. This notice summarizes the principal rules concerning eligibility, contributions, investments, withdrawals, employer programs, and gift-tax considerations. Individual circumstances may affect the application of these rules.

What Is a Trump Account?

A Trump Account is a type of traditional individual retirement account established under Internal Revenue Code §530A for the exclusive benefit of an eligible individual. The child—not the parent, grandparent, employer, or other contributor—is the account owner and account beneficiary. A Trump Account is not a Roth IRA, SEP IRA, or SIMPLE IRA. [1]

A child generally qualifies to have an initial Trump Account established if the child:

- Has not reached age 18 before the end of the calendar year in which the election is made;
- Has a Social Security number issued before the election; and
- Has not previously had an initial Trump Account election made on the child’s behalf.

An election may be made using Form 4547, Trump Account Election(s), or through an authorized electronic process. The person making the election represents under penalties of perjury that he or she is authorized to make the election. [6]

Under current IRS guidance, the priority for making an initial account election is generally:

1. Legal guardian;
2. Parent;
3. Adult sibling; and
4. Grandparent.

A person lower in the order generally may make the election only if no person with higher priority is available to make it. A parent, grandparent, relative, friend, or other person may generally contribute to an account established by someone else. [3]

Contributions and Annual Limits

Contributions to Trump Accounts generally may not be made before July 4, 2026. During the child's growth period, the child does not need earned income or other compensation for contributions to be made. [3]

The growth period begins when the initial Trump Account is established and ends on December 31 of the calendar year in which the child turns age 17. Distributions generally become permissible beginning January 1 of the calendar year in which the child turns age 18. [1]

For calendar years 2026 and 2027, the aggregate amount of most contributions may not exceed \$5,000 per calendar year for the child's account. This \$5,000 threshold measures the total of contributions subject to the limit—not merely the amount contributed by one person. It generally includes contributions from:

- Parents;
- Grandparents and other relatives;
- The child;
- Friends or other persons; and
- Employers making contributions under Internal Revenue Code §128.

Beginning after 2027, the \$5,000 amount is adjusted for inflation and rounded down to the next lower multiple of \$100 if necessary. A contribution is counted in the calendar year in which it is actually made; it generally cannot be assigned to the prior year merely because it is made before the prior year's income-tax return deadline. [1] [3]

The following contributions generally are not subject to the \$5,000 annual limit:

- The \$1,000 pilot-program contribution from the Treasury Department;
- Qualified general contributions made through the Treasury Department by qualifying governmental or charitable entities; and
- Qualified rollover contributions transferring the entire balance from one Trump Account to another Trump Account for the same child.

A qualified rollover contribution may be made only by a direct trustee-to-trustee transfer of the entire account balance. During the growth period, there generally can be only one funded Trump Account for a child at a time. [1] [3]

Contributors should coordinate with one another before making deposits. For example, if a grandparent contributes \$5,000 and a parent contributes \$1,000 in the same year, the contributions subject to the annual limit would total \$6,000.

No deduction under Internal Revenue Code §219 is allowed for contributions made to a Trump Account before the first day of the calendar year in which the child turns age 18. Contributions from individuals other than the specified exempt sources generally create basis in the account. Pilot-program contributions, qualified general contributions, and qualifying employer contributions generally do not create basis. [1]

Pilot Contribution and Employer Programs

\$1,000 pilot-program contribution

A one-time \$1,000 contribution from the Treasury Department may be available for an eligible child. The child generally must:

- Be born after December 31, 2024, and before January 1, 2029;
- Be a U.S. citizen;
- Have a Social Security number issued before the election;
- Have no prior pilot-program election processed; and
- Be anticipated to be the qualifying child of the person making the election.

The pilot contribution is not available merely because a child is under age 18. A child born before January 1, 2025, generally does not qualify. The pilot contribution may not be deposited before July 4, 2026. Improper pilot-program elections may be subject to penalties under Internal Revenue Code §6659. [3] [6]

Employer contributions

Internal Revenue Code §128 permits an employer to contribute to the Trump Account of an employee or the employee's dependent under a qualifying Trump Account contribution program. The amount excluded from an employee's gross income is limited to \$2,500 per employee per year, subject to inflation adjustments after 2027.

The \$2,500 threshold measures contributions for the employee in the aggregate. It is not a separate \$2,500 limit for each child or dependent, and contributions from multiple employers are taken into account in determining the employee's total exclusion. Employer contributions generally also count toward the child's \$5,000 annual Trump Account contribution limit. [2] [5]

A qualifying employer program must be established under a separate written plan and must satisfy requirements concerning eligible employees, contributions, employee notice, reporting, and nondiscrimination. Under proposed regulations:

- The employer generally must use common-law employee rules; self-employed individuals, including partners and qualifying S corporation shareholders, generally are not eligible to receive the exclusion for themselves.
- Contributions may be allocated among the employee's account and the accounts of one or more dependents, subject to the employee-level \$2,500 limit.
- An employer may not restrict the program to accounts maintained by only a particular trustee or trustees.
- Contributions through a §125 cafeteria plan may be made for a dependent's Trump Account, but not for the employee's own Trump Account.
- Salary-reduction elections must be prospective, and the cafeteria plan must permit employees to change or revoke those elections at least monthly before the salary becomes available.
- The employer must identify a §128 contribution to the trustee when it is made and must generally provide an annual statement, which may be furnished on Form W-2.
- A corrective notice to the trustee is generally required if a contribution previously identified as a §128 contribution later is determined not to qualify; 21 calendar days is treated as a reasonable correction period under the proposed regulations. [5] [6]

The proposed regulations provide nondiscrimination rules intended to prevent employer programs from favoring highly compensated employees. These rules include an eligibility test, a contributions-and-benefits test, and an average-benefits test generally requiring benefits for non-highly compensated employees to equal at least 55% of the average benefits provided to highly compensated employees. A proposed safe harbor may apply to certain employer contributions matching the \$1,000 pilot-program contribution when the contributions are made available on the same terms to all non-excluded employees. [5]

The employer exclusion under §128 applies for federal income-tax purposes. Proposed regulations state that qualifying contributions generally remain treated as wages for FICA, FUTA, and Railroad Retirement Tax Act purposes, although they generally are not subject to federal income-tax withholding because they are excluded from the employee's federal gross income. [5]

Investments, Withdrawals, and Later Taxation

During the growth period, account funds may be invested only in an eligible mutual fund or exchange-traded fund. Generally, the fund must:

- Track the returns of the S&P 500 or another qualified index;
- Invest in equity investments of primarily U.S. companies;
- Not use leverage; and
- Have annual fees and expenses of no more than 0.1% of the fund's net assets.

An index generally cannot be industry-specific or sector-specific. Current IRS guidance includes a safe harbor under which an index is treated as comprised of primarily U.S. companies if U.S. companies represent at least 90% of the index based on weighting. Cash and money-market funds generally are not eligible investments, although cash may be held temporarily while contributions, dividends, or sale proceeds are invested. [1] [3]

During the growth period, distributions generally are prohibited except for:

- A direct transfer of the entire account balance to another Trump Account for the same child;
- A direct transfer of the entire account balance to the child's ABLE account during the calendar year in which the child turns age 17;
- A distribution of excess contributions; or
- A distribution following the child's death.

Hardship withdrawals, ordinary cash withdrawals, and closing the account to provide money to the child generally are not permitted during the growth period. If the child dies during the growth period, the account ceases to be a Trump Account, and the fair market value of the assets reduced by the account's basis generally is included in the gross income of the person acquiring the account interest, or in the child's final return if the estate acquires the interest. [1]

Beginning January 1 of the calendar year in which the child turns age 18, most traditional IRA rules generally apply. Distributions may be taxable as ordinary income to the extent they exceed basis and may be subject to the additional 10% tax on early distributions under §72(t), unless an exception applies. The Trump Account's basis is tracked separately from the child's other individual retirement arrangements for purposes of determining the taxable portion of distributions. [3]

The account does not automatically cease to be designated as a Trump Account after the growth period, although most of the special growth-period rules no longer apply. A written governing instrument may permit an automatic trustee-to-trustee transfer to a traditional IRA that is not a Trump Account after the growth period, if applicable legal requirements are satisfied. [3]

Gift-Tax and Administrative Considerations

An individual's contribution to a child's Trump Account may have gift-tax and generation-skipping-transfer-tax consequences. For 2026, the federal annual gift-tax exclusion is \$19,000 per recipient. This threshold measures the donor's total gifts to the particular child during the calendar year, including the Trump Account contribution—not merely the amount deposited into the account. The basic estate and gift-tax exclusion and the GST exemption are each generally \$15 million for 2026, subject to applicable rules and inflation adjustments. [4]

Rev. Proc. 2026-25 provides a safe harbor for certain individual donors who contribute cash to Trump Accounts before the calendar year in which the beneficiary turns age 18. The safe harbor generally requires that:

- The donor is an individual;
- The donor's only taxable gifts for the year are cash contributions to Trump Accounts;
- The donor's total gifts to each account beneficiary do not exceed the applicable annual exclusion—\$19,000 for 2026;
- The contributions do not create gift or GST tax liability after applicable exclusions, credits, or exemptions; and
- The donor is not otherwise required to file, and does not file, a gift-tax return for the year.

If all requirements are met, the contribution is treated as a completed gift that is not a gift of a future interest, and the donor generally is not required to report the contribution on a gift-tax return. If the requirements are not met, a separate gift-tax analysis may be necessary, and a gift-tax return may be required. [4]

Trustees have special reporting responsibilities during the growth period, including reporting contributions, the source of certain contributions, distributions, account value, and basis. A trustee receiving a qualified rollover contribution must generally report specified information to the Treasury Department within 30 days after the transfer. A

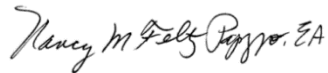
trustee that fails to make required reports may be subject to penalties unless the failure is due to reasonable cause. [1] [3]

Conclusion

Trump Accounts provide a long-term savings vehicle for eligible children, but they are subject to strict rules concerning eligibility, annual contributions, investment choices, withdrawals, employer programs, reporting, and gift taxes. Before establishing or funding an account, families and employers should confirm the child's age and Social Security number, determine whether an election has already been made, coordinate all contributions subject to the \$5,000 annual limit, and evaluate any applicable employer and gift-tax rules.

This notice is for general informational purposes and is not a substitute for individualized tax, gift-tax, investment, benefits, or legal advice. Rules concerning employer programs remain subject in part to proposed regulations and future IRS guidance.

Sincerely,

A handwritten signature in cursive script that reads "Nancy M Feltz Paparazzo, EA".

Nancy M Feltz Paparazzo, EA
Feltz Associates, LLC