

# “Trump Accounts” – Tax-Advantaged Savings Accounts for Children

## Client Alerts

July 8, 2025

By: Matt Renaud, Jenna A. Bressel

On Friday, July 4, President Trump signed into law the One Big Beautiful Bill Act (H.R. 1) (“Big Beautiful Bill”) after narrow approval from both houses of Congress. The legislation extends the Tax Cuts and Jobs Act and enacts significant policy changes to healthcare, energy, and border security. Notably, the Big Beautiful Bill also introduces a new children’s savings vehicle known as “Trump Accounts.” In addition to a government seed contribution, and any taxpayer contributions, employers may also contribute to a Trump Account established for an employee’s minor child. Employers may deduct the contribution as additional wages, while providing the employee with exempt-from-income benefits.

## What Are Trump Accounts?

Trump Accounts are a new federal tax-advantaged children’s savings program effective for tax years beginning in 2026. Each eligible child born in the United States between January 1, 2025 and December 31, 2028, will receive a one-time \$1,000 government contribution into a designated investment account, generally structured as a traditional individual retirement account (“IRA”) under Section 408(a). In addition to the government seed money, Trump Accounts will allow contributions up to \$5,000 a year (adjusted for inflation) by (i) taxpayers (including, without limitation, parents, guardians, and relatives) and (ii) employers. Additional contributions, not subject to the \$5,000 annual limit, may be provided by nonprofit organizations and governmental entities. Note, if a parent does not voluntarily create a Trump Account, the Treasury Department will automatically create and fund a Trump account when a parent files a tax return that includes an eligible child. More information regarding eligibility criteria is expected in forthcoming Treasury regulations.

## Key Aspects of Trump Accounts

- Contributions to Trump Accounts may only be made beginning 12 months after enactment of the Big Beautiful Bill, and only until the child beneficiary reaches age 18.
- Trump Accounts grow tax-deferred until the beneficiary withdraws the money.

- Withdrawals are generally not permitted under Trump Accounts until the beneficiary reaches age 18.
- Trump Accounts are required to be invested in a mutual fund or exchange traded fund which tracks a US stock index and does not have annual fees and expenses of more than 0.1%.

### **Tax Treatment**

Trump Accounts are to be treated similarly to traditional IRAs for tax purposes, but taxpayers will not receive tax deductions for their contributions. This means that: (i) taxpayer contributions are after-tax, (ii) contributions and earnings grow tax-deferred, and (iii) withdrawals in excess of taxpayer contributions are taxed as ordinary income if used for qualified expenses and otherwise may be subject to an additional 10% early withdrawal penalty. Specific details on early withdrawal penalties and qualified expenses (e.g., higher education expenses, first-time home purchase, or small business expenses) are pending further regulatory guidance.

### **Employer Contributions**

Employers may contribute up to \$2,500 per year (adjusted for inflation), on a tax-free basis, on behalf of their employees’ dependents or their teenage employees. Contributions in excess of \$2,500 will be treated as taxable income to the employee. Employers can claim a tax deduction for such contributions as a business expense. However, employer contributions will require a written plan document, and the program will have to comply with certain rules applicable to dependent care FSA accounts under Code Section 129(d) (e.g., related to nondiscrimination and statement of expenses).

### **Differences from Code Section 529 College Savings Plans**

Trump Accounts may be used to supplement other savings vehicles used for children, such as Code Section 529 College Savings Plans (“529 plans”). Trump Accounts have the advantage of receiving an initial \$1,000 in government seed funding and permitting withdrawals for various expenses. However, in practice, Trump Accounts may offer limited tax benefits compared to 529 plans. Below is a chart highlighting certain key differences:

<b><u>Trump Account</u></b>	<b><u>529 College Savings Plan</u></b>
<ul style="list-style-type: none"> <li>• Allows withdrawals for various qualified expenses (e.g., higher education expenses, first-time home purchase, and small business expenses)</li> </ul>	<ul style="list-style-type: none"> <li>• Limited to qualified education expenses</li> </ul>
<ul style="list-style-type: none"> <li>• Limited to investing in a US stock index</li> </ul>	<ul style="list-style-type: none"> <li>• Provides multiple investment options</li> </ul>

<ul style="list-style-type: none"> <li>Limited to \$5,000 total contributions per year by taxpayers and employers</li> </ul>	<ul style="list-style-type: none"> <li>No annual federal contribution limit</li> <li>Annual federal gift tax limit (i.e., \$19,000 for gifts by a single filer and \$38,000 for gifts by a married couple)</li> <li>Aggregate state lifetime limits of ~\$200,000 up to ~\$600,000</li> </ul>
<ul style="list-style-type: none"> <li>Withdrawals in excess of taxpayer contributions are subject to ordinary income taxation</li> </ul>	<ul style="list-style-type: none"> <li>Withdrawals are tax-free</li> </ul>
<ul style="list-style-type: none"> <li>Taxpayer contributions do not qualify for tax deductions</li> </ul>	<ul style="list-style-type: none"> <li>Taxpayer contributions may qualify for state income tax deductions or credits</li> </ul>

### Action Item

We will monitor Treasury and IRS guidance regarding the Big Beautiful Bill, including for Trump Account administration, implementation timelines, and reporting requirements. If your company has any questions in the meantime, reach out to your Jenner & Block contact.

### Related Attorneys



**Matt Renaud**

Partner

mrenaud@jenner.com

+1 312 923 2958



**Jenna A. Bressel**

Special Counsel  
jbressel@jenner.com  
+1 312 840 7297

**Related Capabilities**

Employee Benefits and Executive Compensation

Tax

© 2026 Jenner & Block LLP. Attorney Advertising. Jenner & Block LLP is an Illinois Limited Liability Partnership including professional corporations. This publication, presentation, or event is not intended to provide legal advice but to provide information on legal matters and/or firm news of interest to our clients and colleagues. Readers or attendees should seek specific legal advice before taking any action with respect to matters mentioned in this publication or at this event. The attorney responsible for this communication is Brent E. Kidwell, Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654-3456. Prior results do not guarantee a similar outcome. Jenner & Block London LLP, an affiliate of Jenner & Block LLP, is a limited liability partnership established under the laws of the State of Delaware, USA and is authorised and regulated by the Solicitors Regulation Authority with SRA number 615729. Information regarding the data we collect and the rights you have over your data can be found in our Privacy Notice. For further inquiries, please contact [dataprotection@jenner.com](mailto:dataprotection@jenner.com).

**Stay Informed**

