

Trump Account Contribution Programs

September 2026

The One Big Beautiful Bill Act (OBBBA) created a new employer-sponsored benefit opportunity through Internal Revenue Code §128. Employers may now make tax-favored contributions of up to \$2,500 annually to the Trump Account of an employee or an employee's dependent through a Trump Account Contribution Program (TACP). For employers seeking family-focused benefits, TACPs provide a way to help employees save for a child's future while receiving favorable federal income tax treatment. Proposed regulations issued in August 2026 provide the initial administrative framework and may be relied upon immediately, even before final regulations are published.

Trump Accounts

Trump Accounts are a type of IRA designed to help families save for a child's future. Accounts generally may be established for children under age 18 with a valid Social Security number. During the account's growth period, contributions are subject to special rules, annual limits, and investment restrictions. The growth period generally ends on December 31 of the year the beneficiary turns 17, after which traditional IRA rules generally apply.

In general, contributions made during the growth period from sources such as employers, parents, children, or other individuals are subject to an aggregate annual contribution limit of \$5,000 for 2026 and 2027, indexed thereafter. Certain contributions, including federal pilot contributions, qualified general contributions, and qualified rollover contributions, are not counted toward that limit. Children born between January 1, 2025, and December 31, 2028, may also qualify for a one-time federal pilot contribution of \$1,000.

Trump Account Contribution Programs (TACPs)

A TACP is an employer-sponsored program established under Internal Revenue Code §128 that permits employers to make tax-favored contributions to the Trump Account of an employee or an employee's dependent. A TACP must be established through a separate written plan maintained for the exclusive benefit of employees and must satisfy specified requirements relating to eligibility, contributions and benefits, employee notification, reporting, and nondiscrimination.

Under the proposed regulations, a TACP may also be coordinated with a §125 cafeteria plan to permit employees to fund contributions through salary reduction on a tax-favored basis. However, salary reduction contributions may only be made to a dependent's Trump Account, not to an employee's own Trump Account.

TACP Contributions

TACP contributions may be made only to the Trump Account of an employee or an employee's dependent (as defined under §152) while the account beneficiary remains in the account's growth period, which generally ends on December 31 of the year the beneficiary turns 17. For purposes of §128, eligibility is limited to common-law employees. As a result, self-employed individuals, including sole proprietors, partners, and 2% S corporation shareholders, cannot participate in a TACP, but they can sponsor a TACP for their employees.

Qualifying employer contributions are excluded from an employee's gross income up to \$2,500 annually for 2026 and 2027, with the limit indexed thereafter. However, unlike many employer-provided benefits, the contributions remain subject to FICA, FUTA, and RRTA taxes.

The exclusion applies on a per-employee basis rather than per Trump Account or dependent. Contributions from multiple employers are aggregated when determining the annual limit. Although an employer may divide contributions among the Trump Accounts of multiple dependents, the total amount attributable to a single employee remains subject to the annual exclusion cap.

Plan Documentation

A TACP must be established and maintained under a separate written plan. The document should describe the plan year, eligibility, contributions, whether salary reductions through a cafeteria plan are permitted, Trump Account designation procedures, employee certifications, notice and reporting obligations, and correction procedures. Employers must operate the program consistently with the written terms to preserve §128 tax-favored treatment.

§125 Integration

Employers may integrate a TACP with a §125 cafeteria plan, allowing employees to fund contributions to a dependent's Trump Account through salary reduction. Salary reduction contributions to an employee's own Trump Account are not permitted. The combination of employer contributions, if any, and employee salary reductions cannot exceed the §128 contribution limits (e.g., \$2,500 for 2026 and 2027).

A cafeteria plan offering this benefit must be amended to include and describe the TACP offering. In regard to employee elections, unlike many cafeteria plan benefits, TACP elections may generally be made, changed, or revoked prospectively throughout the year, provided changes become effective before the related compensation is currently available, similar to the flexibility generally available for HSA elections.

Administrative Requirements

Employee Notice

A TACP must provide reasonable notification of the program's availability and terms to all eligible employees, so they have a meaningful opportunity to participate and understand the basic rules governing eligibility, elections, and contributions. The proposed regulations do not prescribe a specific format or delivery method.

Annual Reporting

Employers must furnish each participating employee with an annual written statement showing the amount of §128 contributions made with respect to the employee during the preceding calendar year. The annual statement requirement may be satisfied through Form W-2 reporting in accordance with IRS instructions. For 2026 reporting, §128 contributions should be reported in Box 12 using Code TA.

Trustee Selection Not Permitted

The proposed regulations prohibit employers from limiting TACP contributions to Trump Accounts maintained by selected trustees or financial institutions. Because only one Trump Account may exist for a beneficiary, employers must permit contributions to any valid Trump Account designated by an eligible employee.

Verification and Correction

Employers generally may rely on specified written employee certifications unless they have actual knowledge that the information is incorrect. The certification may be provided on paper or electronically and must include representations that:

- the beneficiary is or will be the employee's dependent for the applicable taxable year;
- the beneficiary's date of birth; and
- the employee knows of no facts that would make the beneficiary ineligible to receive the contribution.

Employee certification alone, however, is not sufficient to establish that the receiving account is a valid Trump Account. Employers must use reasonable verification procedures, directly or through vendors, payroll providers, or trustees. In addition, when an employer transmits a qualifying contribution to a trustee, the employer must affirmatively identify the amount in writing as a §128 contribution.

If an employer later determines that an amount previously treated as a §128 contribution was ineligible, the employer must notify the trustee and provide corrective information. The proposed regulations include a 21-day safe harbor for providing corrective notice after the employer identifies the error.

Nondiscrimination Requirements

Because of the favorable tax treatment, TACPs are subject to nondiscrimination testing modeled after the rules applicable to §129 dependent care assistance program (DCAPs). A TACP must satisfy three tests: (i) the eligibility test; (ii) the contributions and benefits test; and (iii) the 55% average benefits test. Unlike a DCAP, a TACP has no separate owner concentration test because self-employed individuals cannot participate.

The nondiscrimination rules prohibit plans from favoring highly compensated employees (HCEs). For 2026 testing purposes, HCEs generally include certain owners and employees who earned at least \$160,000 during 2025. A nondiscrimination failure generally affects the tax treatment of HCEs rather than causing the entire arrangement to lose TACP status. Related employers that constitute a controlled group or affiliated service group are treated as a single employer for purposes of these testing requirements.

Special Safe Harbor for Employer Pilot Matches

The proposed regulations include a safe harbor for employers that want to match the federal government's \$1,000 pilot contribution for eligible children born from 2025 through 2028. If a qualifying pilot-match contribution is made available on the same terms and conditions to all non-excluded employees with qualifying dependents, the matching contributions are disregarded for the contributions and benefits test and the 55% average benefits test, but not for the eligibility test.

Effective Date and Reliance

Although the regulations would apply prospectively to plan years beginning on or after publication of final regulations, the IRS expressly permits taxpayers to rely on the proposed regulations before finalization. Employers therefore have a framework for implementing TACPs while final guidance remains pending.

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