

# Executive Compensation and Benefits Alert

December 10, 2025

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## IRS Issues Initial Guidance Regarding Trump Accounts, Including Employer Contributions Pursuant to a Trump Account Contribution Program

### Executive Summary

- **What’s new:** The IRS issued initial guidance regarding “Trump accounts,” a new type of IRA for individuals under 18 with a valid Social Security number, including rules for establishment, contributions, investments, distributions and employer contribution programs.
- **Why it matters:** Employers, individual account holders and organizations interested in establishing or contributing to Trump accounts will need to heed the particular requirements and upcoming regulations for implementation.
- **What to do next:** Individuals and employers should monitor forthcoming regulations and guidance from the Treasury Department, Labor Department and IRS regarding the administration and implementation of Trump accounts and related contribution programs.

On December 2, 2025, the IRS issued [Notice 2025-68](#) (Notice), which provides initial guidance regarding “Trump accounts” and announces upcoming regulations consistent with the initial guidance. On the same day, the [White House published FAQs](#) covering many of the same topics.

### Background

A Trump account is a new type of individual retirement account introduced by the Act (commonly referred to as the One Big Beautiful Bill Act, or OBBBA) signed into law on July 4, 2025 that can be established for eligible individuals under the age of 18 with a valid Social Security number. Trump accounts are subject to special rules, most of which apply only during the period between the date the Trump account is established and December 31 of the year prior to the year in which the account beneficiary turns 18 (the “growth period”). These rules include: (i) a requirement that funds held in a Trump account must be invested in certain eligible investments; (ii) a general prohibition on distributions from a Trump account, subject to limited exceptions; (iii) a contribution limit of \$5,000 per year (subject to cost-of-living adjustments after 2027); and (iv) the disallowance of a deduction by an individual for contributions to a Trump account. After the growth period, these rules cease to apply and the Trump account is generally treated like a traditional IRA (including for purposes of distributions and the 10% additional tax on early distributions prior to age 59½).

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Contributions to Trump accounts, which can start being made on July 4, 2026, may come from many sources. Parents or legal guardians, grandparents, family members and friends may make contributions. Account beneficiaries may contribute to their own accounts. For eligible individuals who are born in 2025 through 2028, the secretary of the Treasury will make a “pilot program contribution” of \$1,000 each to their Trump accounts. As has been widely reported, Michael and Susan Dell announced on December 2, 2025, that they were donating \$6.25 billion in an effort to benefit approximately 25 million children by depositing \$250 into the Trump accounts of children born in 2016 through 2024 who live in ZIP codes where median household incomes are below \$150,000 per year.

Employers may also make nontaxable contributions of up to \$2,500 per employee (subject to cost-of-living adjustments after 2027) to Trump accounts of their employees and their employees’ dependents pursuant to a “Trump account contribution program” sponsored by the employer, described in further detail below.

## Summary of the Initial Guidance

Below we summarize notable portions of the initial guidance addressed in the Notice:

- **Establishment of Trump accounts (opt-in):** An authorized individual, generally a parent or legal guardian of the account beneficiary, may establish a Trump account for the account beneficiary by making an election on IRS Form 4547, *Trump Account Election(s)*, once it is formally released (see a [draft copy of Form 4547](#)) or, beginning in mid-2026, by registering online for an account at [trumpaccounts.gov](http://trumpaccounts.gov). The election must be made before January 1 of the year in which the account beneficiary turns 18. Although the Treasury Department is authorized under the OBBBA to automatically enroll eligible individuals in Trump accounts, it appears that the Treasury Department does not plan to exercise that authority (at least initially). After an authorized individual elects to establish a Trump account, beginning in May 2026, the Treasury Department (or its agent) will send further information to that authorized individual about how to complete the authentication process for opening an initial Trump account. The authorized individual who makes the election to establish the Trump account will generally be the responsible party for the account and will have the authority to direct the investment of the account, request certain account transfers and, if applicable, select a successor responsible party for the account.

The Treasury Department will initially select one or more financial institutions to create and hold all Trump accounts; at a later date, the responsible party for an account can transfer

the full balance of an initial Trump account to a rollover Trump account at the responsible party’s preferred financial institution through a trustee-to-trustee rollover. The responsible party may establish a rollover Trump account only after creating an initial Trump account and only during the growth period of the initial Trump account. After the growth period closes, the account beneficiary may roll over a Trump account to an individual retirement arrangement or other eligible retirement plan of the account beneficiary.

- **\$1,000 pilot program contributions for eligible children:**

An election to receive the pilot program contribution of \$1,000 for an eligible child must be made by an authorized individual who anticipates that the eligible child will be their “qualifying child” for the applicable tax year (generally, their child or lineal descendant, or sibling/step sibling or lineal descendant). An election to receive the pilot program contribution may be made at the same time as the election to establish an initial Trump account or at a later date. The Treasury Department will deposit pilot program contributions as soon as practicable after an election to receive the pilot program contribution has been made and the initial Trump Account has been verified, but not earlier than July 4, 2026.

- **Contributions to Trump accounts:** Five types of contributions that can be made to a Trump account:

- The **pilot program contribution** of \$1,000 for an eligible child.
- A “**qualified general contribution**” funded by the United States (other than the pilot program contribution), individual states or political subdivisions thereof, the District of Columbia, Indian tribal governments or 501(c)(3) tax exempt organizations, for members of a “qualified class” of beneficiaries, which must be one of the following: (i) all account beneficiaries in the growth period when the contribution is made; (ii) all account beneficiaries in the growth period when the contribution is made who reside in a specific geographic area (which will initially be limited to individual states and the District of Columbia); and (iii) all account beneficiaries in the growth period when the contribution is made who were born in one or more specified calendar years.
- A “**qualified rollover contribution**” from an initial Trump account into a rollover Trump account via a trustee-to-trustee transfer.
- An **employer contribution** pursuant to a Trump account contribution program (as described in greater detail below).
- **Contributions from any other sources** such as the account beneficiary, parents or legal guardians, family, friends or other persons.

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The aggregate annual contribution limit for a Trump account is \$5,000 per year (subject to cost-of-living adjustments after 2027), although the pilot program contribution, qualified general contributions (which appear to include the \$250 Dell contribution described above) and rollover contributions do not count toward the \$5,000 limit. Contributions may be made to a Trump account even if the account beneficiary does not have includible compensation (unlike a traditional IRA). The financial institution holding the Trump account must have procedures in place to enforce the annual limit and prevent excess contributions. Only contributions to a Trump account that are made by the last day of the calendar year will be treated as made in that calendar year.

The pilot program contribution, qualified general contributions and employer contributions do not create “basis” in a Trump account (basis is the amount of “after-tax” money contributed to a Trump account and is important because the account beneficiary is not taxed on the amount attributable to basis when money is later withdrawn from the Trump account). Qualified rollover contributions from an initial Trump account carry over any basis attributable to the funds being transferred to the rollover Trump account. Contributions from other sources (such as the account beneficiary, parents or legal guardians, family, friends or other persons) create basis in a Trump account.

- **Employer contributions pursuant to a Trump account contribution program:** Employers may make contributions of up to \$2,500 (subject to cost-of-living adjustments after 2027) per calendar year to the Trump account of an employee (or the employee’s dependent) that will be excluded from the employee’s gross income. An employer must make contributions under a “Trump account contribution program,” which is a separate written plan maintained by the employer for the exclusive benefits of its employees that meets requirements regarding discrimination, eligibility, notification, statements and benefits similar to the requirements of a dependent care assistance program under Section 129 of the Internal Revenue Code. The Notice clarifies that the employer contribution limit is \$2,500 per calendar year **per employee** and not per dependent of the employee (*i.e.*, for an employee with multiple dependents who have Trump accounts in the growth period, the limit is \$2,500 per year for all such dependents in the aggregate). The Notice also states that an employer may offer a Trump account contribution program via salary reduction under a Section 125 cafeteria plan if the contribution is made to the Trump account of the employee’s dependent, but not if the contribution is made to the employee’s own Trump account.
- **Eligible investments:** During the growth period, a Trump account must be invested in one or more mutual funds or ETFs that: (i) track the return of an index of primarily U.S.

companies (such as the S&P 500); (ii) do not use leverage; and (iii) do not have annual fees or expenses of more than 0.1% of the invested balance. Trump accounts may not be invested in any industry or sector-specific index funds or held in cash or money market funds.

- **Distributions during the growth period:** Distributions from a Trump account are not permitted during the growth period, other than: (i) a qualified rollover contribution or qualified ABLE rollover contribution (*i.e.*, a trustee-to-trustee rollover to an ABLE account for an individual with disabilities, and only during the calendar year in which the account beneficiary turns 17); (ii) distributions of excess contributions (*i.e.*, contributions made in excess of the annual contribution limit); or (iii) distribution upon the death of the account beneficiary. Hardship distributions are not permitted during the growth period. Upon the death of an account beneficiary during the growth period, the inheriting beneficiary of the Trump account is immediately taxed on its fair market value at death (reduced by any basis).
- **Coordination with IRA rules:** Generally, after the growth period, distributions from a Trump account are subject to the same tax rules as traditional IRAs (including the 10% tax on early distributions prior to age 59½ if an exception does not apply, such as the exception for qualified higher education expenses or a first-time home purchase). Distributions from the account that are allocable to basis are not included in gross income, but all other amounts held in the account, including all earnings of the account, are included in the gross income of the account beneficiary upon distribution. The Notice clarifies that a Trump account may not be aggregated with other individual retirement arrangements in determining the taxable portion of a distribution (a Trump account’s basis will be allocated separately and only to distributions from the Trump account).

## What Interested Individuals and Employers Should Do Now

The Notice requests comments on issues related to Trump accounts by February 20, 2026. The Notice also states that the Department of Labor and the Department of Treasury anticipate issuing guidance on how to structure employer contributions to Trump accounts under Trump account contribution programs to ensure that they are not subject to the ERISA coverage framework.

Individuals seeking to establish Trump accounts and employers seeking to establish Trump account contribution programs should monitor the forthcoming regulations and guidance from the Departments of Treasury and Labor and the IRS for additional guidance regarding the administration and implementation of Trump accounts and related contribution programs.

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