

EMPLOYER GUIDE

Contributing to Employees' Trump Accounts

Starting July 4, 2026, employers can contribute up to $2,500 a year, tax-free to employees, to Trump Accounts for employees and their children. Contributions must be made under a written Trump Account contribution program (IRC Section 128). This guide covers the benefits, the requirements, the setup steps and W-2 reporting.

Benefits at a glance

For employees

Contributions are excluded from the employee's taxable income, up to $2,500 a year (indexed for inflation after 2027). The money grows tax-deferred for the child.

For the employer

A low-cost, family-focused benefit that helps with recruiting and retention. Contributions are generally deductible as employee compensation.

Pre-tax payroll option

Through a Section 125 cafeteria plan, employees can also put their own pay, pre-tax, into a dependent child's Trump Account.

Pilot match safe harbor

Employers can match the $1,000 Treasury deposit for children born in 2025–2028, which gets favorable treatment under the nondiscrimination rules.

Key rules and limits

Rule	Requirement
Annual exclusion	$2,500 per employee per year, across all employers and all of that employee's children combined. Amounts above $2,500 are taxable wages.
Overall account limit	Employer contributions count toward the $5,000 annual limit for each child's Trump Account. The $1,000 Treasury deposit doesn't count toward it.
Eligible beneficiaries	The employee or the employee's dependent, while the account is in its growth period (through December 31 of the year the child turns 17).
Who counts as an employee	Common-law employees. Self-employed individuals, including partners and sole proprietors, are not eligible.
Payroll taxes	Excluded from federal income tax and withholding. Still subject to FICA (Social Security and Medicare) and FUTA.
Nondiscrimination	The program can't favor highly compensated employees (HCEs) in eligibility or benefits. Average benefits to non-HCEs must be at least 55% of average benefits to HCEs.
Controlled groups	All members of a controlled group are treated as one employer.
Timing	No contributions before July 4, 2026. The employee or child must already have an account, set up with Form 4547.

Step-by-step setup

1 Design the program

- Choose the contribution formula. Options include a flat amount per eligible child, a pilot match of the $1,000 Treasury deposit, a match of employee contributions, or a mix.
- Define eligibility using reasonable, objective classifications, such as all full-time employees. You may exclude employees under 21, those with less than one year of service, and certain union employees.
- Decide whether to offer pre-tax salary reduction through your cafeteria plan, which is allowed for dependents' accounts only.
- Set the plan year and budget, including the employer's share of FICA and FUTA on contributions.

2 Adopt a written plan document

The program must be a separate written plan for the exclusive benefit of employees. It must spell out:

- Eligible employee classifications and the contribution formula.
- Whether salary reduction is allowed, and how accounts are designated.
- Certification and account-verification procedures.
- Notice, reporting and correction procedures, and the plan year.

If you're adding salary reduction, amend your Section 125 cafeteria plan to describe the Trump Account benefit. Employees must be able to change their elections prospectively, at least monthly.

3 Notify employees

- Give eligible employees reasonable notice of the program and its terms.
- Remind employees to set up the child's Trump Account first, through Form 4547 at TrumpAccounts.gov or in the Trump Accounts app.

4 Collect certifications and verify accounts

- Have each employee certify the beneficiary's relationship, dependent status and date of birth. You can rely on this unless you know it's wrong.
- Verify that each destination account is a valid Trump Account, using information from the trustee, your payroll provider or another service provider. An employee certification alone isn't enough for this.

5 Set up payroll

- Create an earnings or deduction code that excludes contributions from federal income tax wages but includes them in Social Security, Medicare and FUTA wages.
- Build in a $2,500 annual limit per employee, across all of that employee's children and any salary reduction. Treat any excess as taxable wages.
- Confirm that your payroll provider supports Section 128 contributions and can send them to Trump Account trustees.

6 Make the contributions

- Send each contribution to the account's trustee. At the time of the contribution, identify it in writing as a Section 128 employer contribution.
- If a contribution later proves invalid, for example an ineligible beneficiary or an excess amount, send the trustee a corrective notice promptly. Within 21 days of finding the problem is treated as reasonable.

7 Test annually and report

- Run the nondiscrimination tests as of the last day of the plan year, including the 55% average benefits test. If the program fails, HCEs may have to include their excess benefits in income.
- Report each employee's contributions on Form W-2 (see below). The W-2 also serves as the required annual statement to employees.

W-2 reporting

Box 12, Code TA	Report employer Section 128 contributions, including any pre-tax salary reduction for a dependent's account.
Boxes 1, 2	Exclude contributions up to $2,500 from federal taxable wages and withholding. Include any excess over $2,500 in Box 1.
Boxes 3 and 5	Include contributions in Social Security and Medicare wages. Also include them in FUTA wages on Form 940.
State wages (Box 16)	Follow each state's conformity rules. Washington has no state income tax, but Oregon and other states may treat contributions differently.
Employee after-tax deductions	Employee's own after-tax payroll deductions to their own account are included in wages. IRS guidance on reporting them is still pending.

Larson Gross can help

We can help you design a program, coordinate with your payroll provider and benefits attorney, run the nondiscrimination tests and check your year-end W-2 reporting. Call us at **360-734-4280**.

This guide is general information as of October 2026, based on IRS Notice 2025-68 and the proposed Section 128 regulations published August 11, 2026. It is not tax or legal advice. The regulations are not final and may change. Contact Larson Gross before adopting a program.