

HOW WILL STATES TAX TRUMP ACCOUNT CONTRIBUTIONS?

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Trump Account contributions can be made as early as this July 4. But before making a contribution on behalf of a child, you should understand that the way these contributions are treated under federal tax law may be different than the way they are treated under state law.

As a reminder, four types of Trump Account contributions will be permitted:

(1) A one-time \$1,000 federal government contribution for children born between 2025 and 2028;

(2) Individual contributions by parents, grandparents, or anyone else on behalf of a child, up to \$5,000 in 2026;

(3) Contributions by employers for teenage employees and dependents of employees; and

(4) Contributions by tax-exempt organizations or any government.

For federal income tax purposes, Trump Account contributions in categories (1), (3) and (4) are considered pre-tax IRA contributions. This means that taxation of those contributions and their earnings can be deferred until distribution. Individual contributions (category (2)) are considered after-tax IRA contributions. Taxation of earnings is deferred until distribution.

But that's only half the story. There is also the question of how states will tax Trump Account contributions. Nine states (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming) don't have state income tax, so that isn't an issue if you reside there. And, according to the Tax Foundation, 20 states and the District of Columbia broadly match federal tax law. Those 20 states are: Alabama, Colorado, Connecticut, Delaware, Illinois, Iowa, Kansas, Louisiana, Maryland, Missouri, Montana, Nebraska, New Mexico, New York, North Dakota, Oregon, Rhode Island, Utah, Vermont and West Virginia. Those states will likely tax Trump Account contributions like federal law does.

What about the remaining 21 states? According to a March 2, 2026 story by Julie Z. Weil of The Washington Post, they are handling Trump Account contributions in different ways:

- Three states (Arkansas, Idaho and Virginia) specifically say they will follow federal law.*
- Georgia, Indiana and Maine have legislation pending to coordinate state law with federal law. (Although Vermont normally follows federal law, Ms. Weil reports that it also has pending legislation.)*

- *Three states (Minnesota, Mississippi and North Carolina) say they will take up the issue at a later date.*
- *Seven states (California, Hawaii, Kentucky, Massachusetts, Pennsylvania, South Carolina and Wisconsin) say they won't recognize the federal tax treatment of Trump Accounts. In other words, they won't treat Trump Accounts as IRAs. This means that earnings on all types of contributions will be taxed annually. (In California and possibly others of the seven states, contributions from employers and tax-exempt organizations will be taxed in the year made.)*
- *The remaining states did not respond to Ms. Weil.*

If you live in one of the undecided states or a state that didn't respond to the reporter, you should check with your state tax office.

Just because a state has said it won't follow the federal tax treatment of Trump Account contributions doesn't necessarily mean that a contribution is unwise. It just adds another factor that you must consider before pulling the trigger. Seeking help from a competent financial advisor is highly recommended.

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