IRS PROVIDES FIX FOR TRUMP ACCOUNT GIFT TAX ISSUE

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In just a few days, on July 4, Trump accounts will be available. As we come down to the wire, the IRS has stepped in to provide a safe harbor to address concerns about potential gift tax issues with contributions.

The Gift Tax Issue

Contributions to Trump accounts do not qualify under the annual gift tax exclusion ($19,000 for 2026). Only gifts of "present interest" qualify. A gift of "present interest" means a gift that the recipient can immediately access and use. Trump accounts are not considered gifts of "present interest" because they cannot be accessed until the year the child turns 18. Congress did not include a provision in the One Big Beautiful Bill Act (OBBBA) to exempt Trump accounts, like it did many years ago for section 529 plans. Unless Congress or the IRS intervened, there was concern that a gift tax return (Form 709) would be required for individuals making Trump account contributions.

The Fix

On June 29, the IRS issued [Rev. Proc. 2026-25]. This guidance provides a gift tax reporting safe harbor for Trump account contributions made before the year the child reaches age 18. Under the safe harbor, if certain requirements are met, contributions made by individual donors to Trump accounts in a given year will not be subject to gift tax reporting requirements for that year.

The IRS said that a safe harbor was necessary for several reasons. For many of those who contributed to Trump accounts, the cost and other burdens of complying with gift tax reporting requirements could outweigh the anticipated financial savings benefit of making contributions. In addition, gift tax reporting compliance by Trump account contributors could dramatically increase the burden on the IRS, who would have to process gift tax returns for taxpayers who would be unlikely to ever be subject to gift, estate, or generation-skipping tax. Also, according to the IRS, the fact that nearly six million Trump accounts have already been opened means the number of gift tax returns filed annually could be expected to increase from roughly 300,000 to several million.