

**Subject** Conformity to federal tax provisions governing Trump accounts

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**Date** March 2, 2026

## Summary

Public Law 119-21, also known as the “One Big Beautiful Bill Act (OBBBA),” established a new tax-preferenced savings account called a “Trump account.” Additional background on Trump accounts is provided below.

The bill would adopt section 70204 of OBBBA for the purposes of Minnesota’s income tax. This would provide two tax benefits to income taxpayers in Minnesota:

- 1) The law excludes from gross income up to \$2,500 in employer contributions to Trump accounts—this limit is indexed for inflation beginning in 2028.
- 2) The law also excludes from gross income contributions made by a government and certain contributions by nonprofit organizations.

### *Background on Trump Accounts*

Trump accounts are a new category of individual retirement account (IRA) with special rules that apply before the taxpayer reaches the age of 18. Trump accounts are created by an individual for the exclusive benefit of an individual who is younger than 18, or are created by the government for the benefit of a person younger than 18.

*Contributions:* Contributions to the account are limited to \$5,000 per year. Under a pilot program established under OBBBA, citizen children born in the years 2025 to 2028 receive a onetime \$1,000 deposit from the federal government. Taxpayers may make contributions to Trump accounts beginning July 4, 2026. Contributions are not deductible before the child turns 18, when the account is converted to a traditional IRA.

*Distributions, investments:* No distributions from Trump accounts are allowed before the beneficiary turns 18. Before the beneficiary child turns 18, amounts in the account must be invested in mutual funds or exchange traded funds. Once the beneficiary turns 18, distributions are subject to the rules that apply to IRAs—a ten percent penalty applies for distributions before age 59 ½, with the same exceptions that apply to IRAs (e.g. education expenses, first-time homebuyer expenses, medical expenses).

*Tax benefits:* Earnings in the account are tax deferred until distribution. Distributions of contributions (from the individual, employer, or the \$1,000 initial contribution from the

government) are not included in gross income, but distributions of earnings are included in gross income and taxable at the time of distribution.



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