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The IRS Provides Clarity on Uncashed Retirement Distribution Checks

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Qualified retirement plan sponsors now have answers to a few of the questions they have tossed around for years about the tax treatment of uncashed distribution checks.



In [Revenue Ruling 2019-19](#), August 14, 2019, the IRS provides guidance regarding the tax treatment of distribution checks cashed in a year other than the year of distribution or not cashed at all.

The IRS clarifies that if a participant or beneficiary does not cash a distribution check in the year of issuance, the individual must still include the amount in gross income for that year. In addition, if any withholding is required on the distribution, the issuer must withhold and report for the year in which the distribution is made, regardless of whether the check is cashed in the same year. In addition, the 1099-R is issued for the year of distribution and must reflect the distribution amount and amount withheld.

Unfortunately the IRS did not take this opportunity to provide clear guidance around what to do when a distribution involves a missing or lost participant. In this ruling the IRS states that it is still analyzing the missing participant issue. Presumably this means that if a check is returned to a plan as undeliverable this IRS guidance does not apply.

Even without guidance on the missing participant issue, this IRS ruling provides welcome clarity in an area that was confusing for participants and plan administrators alike. In addition, it may provide needed encouragement to participants and beneficiaries to cash distribution checks in a timely manner. The result would relieve the plan administrator's need to continue to track the distribution checks and eliminate any possible need for amended tax returns for the participant or beneficiary.

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