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Publications

New Escheatment Guidance for Qualified Plans

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Most of the focus on missing participants has been with the Department of Labor ("DOL") and its retirement plan audits, but over the last few years, the Internal Revenue Service ("IRS") also has been getting into the game with targeted guidance in this area. The latest rendition of this IRS guidance is Revenue Ruling 2020-24 and Revenue Procedure 2020-46, focused on escheatment. Under Revenue Ruling 2020-24, the IRS addresses the reporting and withholding treatment for qualified plan distributions paid directly to state unclaimed property funds via escheatment. Under Revenue Procedure 2020-46, the IRS expands its indirect rollover hardship relief to apply to escheatment payments that are claimed and returned to a qualified plan or individual retirement account ("IRA").

In the *Journal of Pension Benefits* article, "New Escheatment Guidance for Qualified Plans," Groom principal Elizabeth Thomas Dold provides a review of this guidance in question and answer format, addressing the below queries and more:

- Why is the IRS issuing guidance on escheatment payments?
- How should the escheated payments be reported on form 1099-R?
- How should the escheated payments be treated for federal income tax withholding purposes?
- How does the indirect rollover relief come into play?
- What change was made to the indirect rollover relief?
- What should plan sponsors do to comply with this escheatment guidance?

Click here to read the article.