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Tax Reporting Guidance for Uncashed Checks from Qualified Plans

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What to do with uncashed checks from qualified retirement plans has always been a difficult issue. The Department of Labor (“DOL”) and the Internal Revenue Service (“IRS”) have been working on addressing this long-standing concern for plan sponsors, trustees and recordkeepers. This issue is often raised in both DOL and IRS audits—as everyone is eager to get plan benefits paid to the participant and beneficiary.

The IRS recently released Rev. Rul. 2019-19 to address a baseline issue of whether uncashed checks from a qualified retirement plan are subject to taxation, reporting, and withholding in the year the check is issued, even if the check remains uncashed. The answer, which most do not find surprisingly, is that “yes,” a check that was distributed and received by the payee so he or she could cash the check in the year issued is taxable income to the participant (or beneficiary) and subject to Form 1099-R reporting and withholding rules. This answer does not vary regardless of whether the participant or beneficiary keeps the uncashed check, sends it back to the plan, destroys it, or cashes it in a subsequent year. A review of the Ruling and its findings are summarized in the article linked below.

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