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Uncashed Retirement Checks Get New Reporting and Withholding Rules

This column summarizes the guidance provided by Revenue Ruling 2025-15 for proper reporting and withholding on uncashed (and reissued) retirement checks.

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Uncashed checks have long been a concern for plan sponsors and their recordkeepers, with the Department of Labor (DOL) and the Internal Revenue Service (IRS) focused on ensuring that missing participants are located and paid their retirement benefits. This round of guidance, Revenue Ruling 2025-15, is designed to give some much-needed clarity on the proper reporting and withholding on both the initial uncashed check, and the reissued check. [“Withholding and Reporting with Respect to Uncashed Retirement Plan Distribution Checks (and Subsequent Checks),” Revenue Ruling

2025-15, <https://www.irs.gov/pub/irs-drop/rr-25-15.pdf> (October 28, 2025)] We summarize the guidance in question-and-answer format below.

What Does the Guidance Cover?

The guidance covers reporting and withholding rules for uncashed (and reissued) checks from qualified retirement plans, regardless if the participant/beneficiary is unresponsive or missing. In brief, plan sponsors should retain the initial tax reporting and withholding on uncashed checks, and track any returned checks that are later reissued to the same participant/beneficiary to prevent duplicate reporting and withholding (and related taxation on the participant/beneficiary).

What Is the Fact Pattern That the Guidance Addresses?

A participant in a 401(a) plan has a benefit of \$800, which is distributable. The participant did not make a withholding election under Internal Revenue Code (Code) Section 3405, and has no “investment in the contract” (for example, tax basis under Code Section 72) in the plan benefit.

In 2024, Employer M made a distribution to the participant of the \$800 accrued benefit, withholding federal income tax under Code Section 3405 (and, thus, reducing the accrued benefit by the withheld amount), remitting that withholding amount to the Department of the Treasury (Treasury), and mailing a check for the remainder (Check 1) to the participant at the participant’s address on file. After the distribution was made, the participant did not earn any additional accrued benefit under the plan on account of compensation from or service for the employer.

Check 1 was not cashed within six months after the date on the check, and the employer cancelled the check (or the drawee was no longer obligated to make a payment on the check for any reason). Subsequently, the employer mailed a second check (Check 2) in the amount of participant’s accrued benefit at the time of issuance of Check 2 (net of applicable withholding, if any, required under Code Section 3405) to the participant.

How Do I Report and Withhold on the Initial Uncashed Check (Check 1)?

For reporting purposes, the employer must report the designated distribution (\$800) in Box 1 of Form 1099-R for 2024. In addition, because the participant has no “investment in the contract” and no exception

to income inclusion under Code Section 402(a), the employer must report the same amount (\$800) in Box 2a and must report the federal income tax withheld in Box 4. Notably, this Form 1099-R reporting requirement applies without regard to whether the check is returned as undeliverable or remains uncashed for any other reason.

For federal income tax withholding purposes, no adjustment or refund of the withholding amount should be made. The employer made a distribution with respect to the participant’s accrued benefit by withholding federal income tax in the amount required under Code Section 3405, remitting that amount to Treasury, and mailing Check 1 to the participant. The amount deducted and withheld by the employer from the distribution was the amount required by the Code, and that amount was remitted to Treasury. Accordingly, because more than the correct amount of tax was not withheld or paid, the employer is not entitled to an adjustment under the Code. Moreover, no refund is available to the employer as the amount deducted and withheld by the employer was the same amount paid to Treasury.

Therefore, no change to the standard reporting and withholding rules should be made for the uncashed check.

How Do I Report and Withhold on the Reissued Check (Check 2)?

For reporting purposes, with respect to the distribution of participant’s accrued benefit at the time of issuance of Check 2, if the amount of participant’s accrued benefit under the plan at the time of the issuance of Check 2 is *less than or equal to* the amount of Check 1, the employer is not required to report the distribution on Form 1099-R. Conversely, if the amount of the participant’s accrued benefit under the plan at the time of the issuance of Check 2 is *greater than* the amount of Check 1, the employer generally must report the excess amount in Box 1 and Box 2a on Form 1099-R for the year of the distribution and report any federal income tax withheld in Box 4 on that Form 1099-R (no reporting is required if the excess is less than \$10).

For withholding purposes, if the amount of participant’s accrued benefit under the plan at the time of the issuance of Check 2 is *less than or equal to* the amount of Check 1, no federal income tax withholding is required in connection with the issuance of Check 2 because the employer withheld the amount required under Code section 3405 from the participant’s accrued benefit under the plan in connection with the issuance of

Check 1. Conversely, if the amount of the participant's accrued benefit under the plan at the time of the issuance of Check 2 is *greater than* the amount of Check 1 (for example, because of earnings), the excess amount is a separate designated distribution subject to withholding at the time of the issuance of Check 2.

How Would I Summarize the Reporting and Withholding Rules Applicable to an Uncashed Check from a Qualified Plan?

	Initial Uncashed Check	Reissued Check
Reporting	Standard Form 1099-R reporting	None, unless exceeds the net distribution returned to the plan (by \$10 or more)
Withholding	Standard federal income tax withholding	None, unless exceeds the net distribution returned to the plan

What Plans Are Impacted?

The guidance expressly applies to qualified plans under Code Section 401(a), which includes defined benefit and defined contribution plans (including 401(k) plans and profit-sharing plans).

What Withholding Rules Apply?

Payments from qualified plans are subject to federal income tax withholding under Code Section 3405. For an eligible rollover distribution, a mandatory 20 percent withholding applies, and additional withholding can be elected on Form W-4R. For non-periodic payments that are not eligible for rollover, a 10 percent voluntary withholding applies (unless the payee elects out of withholding or elect a different rate on Form W-4R). For periodic payments that are not eligible for rollover, wage withholding with a default filing status of "single" with no adjustments applies (unless the payee elects out of withholding or a different rate on Form W-4P).

How Are Withholding Amounts Adjusted or Refunded?

The Code, and the regulations thereunder, provide for federal income tax withholding

adjustments or refunds on qualified plan payments via Form 945-X, which is the amended form for adjusting pension withholdings. Specifically, Code Section 6413(a) provides, in part, that if more than the correct amount of federal income tax is paid with respect to any payment, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in accordance with IRS regulations. The regulations [Treas. Reg. §§ 31.6413(a)-1, -2] permit an adjustment to the extent that more than the amount required was deducted and withheld by the employer (or withholding agent) and the employee was reimbursed within the same calendar year. Adjustment is also permitted when there was an overpayment of tax attributable to an administrative error, that is, an error involving the inaccurate reporting of the amount withheld. Moreover, if such an adjustment cannot be made, then under Code Section 6413(b), a refund of the withheld amount is available. This refund is only available to the extent that the amount paid to the Treasury was in excess of the amount deducted and withheld by the employer (or withholding agent).

What Reporting Rules Apply?

Payments from qualified plans are reported on Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, pursuant to Code Section 6047(d). This form reports the gross (box 1) and taxable amount of the distribution (box 2a), along with the federal (and state) income tax withheld from the payment (box 4). It also includes a number of special codes in box 7 of the form, which is in part designed to indicate a direct rollover, or if the early 10 percent additional income tax applies for distributions prior to age 59-1/2 pursuant to Code Section 72(t).

What Does the Guidance Not Cover?

Unfortunately, the guidance does not cover:

- The appropriateness of mailing a check to an address on file that the plan administrator has reason to believe is incorrect;
- A situation in which a second check is issued by any person other than the issuer of Check 1, including, for example, the Pension Benefit Guaranty Corporation (PBGC) following a transfer of an amount to the PBGC's Missing Participants Program, or issued to anyone other than the

participant (for example, to the surviving spouse of the participant);

- Any aspect of the PBGC's Missing Participants Program. The PBGC has indicated that they are considering possible modifications to its Missing Participants Program regarding the treatment of prior tax withholding in connection with the transfer of benefits to the program, which has historically required employers to remit the entire gross distribution to the PBGC; and
- Issues under title I of ERISA (which are governed by the DOL).

Therefore, a check that is initially issued to the participant but then was reissued to the participant's estate (or beneficiary) because the participant died prior to cashing the check is not covered by this guidance.

Notably, the fact pattern addressed in the guidance involves a 401(a) plan that does not: (1) include designated Roth accounts under Code Section 402A; (2) hold employer securities; or (3) provide benefits described in Code Section 104 (compensation for injuries or sickness) or Section 105 (amounts received under accident and health plans).

Is This Different from Prior Guidance?

The key reporting and withholding guidance for uncashed checks was set forth in Revenue Ruling 2019-19, where the participant received the check but refused to cash it. Consistent with this new guidance, the ruling held that the uncashed check was still subject to reporting and withholding in the year the check was received, even if not cashed. But that guidance did not address subsequent checks, or provide any clear guidance for missing or unresponsive participants.

What Should Plan Sponsors and Recordkeepers Do as a Result of This Guidance?

Plan sponsors and recordkeepers should review and revise their reporting and withholding positions for uncashed (and reissued) checks going forward in light of this guidance. This is important because there are various reporting and withholding penalties (and interest) for failure to properly report qualified plan distributions, including (1) reporting penalties under Code Sections 6721 and 6722, and (2) withholding obligations for missed federal income taxes under Code Section 3405. ■

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