

IRS Finds Uncashed Retirement Plan Distribution Checks To Be Taxable

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Retirement plan administrators can run into issues with uncashed distribution checks, most often when those distributions are mandated as required minimum distributions under the Tax Code. Last month, the IRS issued Revenue Ruling 2019-19, in which it provided some guidance at least on the tax treatment of uncashed distribution checks from qualified retirement plans.

The IRS clarified that uncashed checks representing distributions from such plans were taxable to the participant or beneficiary to whom they are distributed and reportable by the plan in the tax year in which the distribution is made. The IRS also explained that it is irrelevant for purposes of that conclusion whether the distributee keeps the check, sends it back, destroys it, or cashes it in a subsequent year.

Furthermore, the IRS noted that the failure to cash the check does not alter an employer's obligations regarding withholding and reporting under the Tax Code.

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