

MEMO# 31912

August 20, 2019

IRS Revenue Ruling Clarifies Tax Implications of Failure to Cash Distribution Check from Retirement Plan

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August 20, 2019 TO: ICI Members
Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: IRS Revenue Ruling Clarifies Tax Implications of Failure to Cash Distribution Check from Retirement Plan

In Revenue Ruling 2019-19, the Internal Revenue Service (IRS) provides guidance on the income tax implications of a plan participant's failure to cash a distribution check from a tax-qualified retirement plan.[\[1\]](#) Generally, pursuant to the ruling, the participant's failure to cash a distribution check does not change the inclusion of the distribution amount in the participant's gross income for the year of receipt and does not alter the employer plan's obligations with respect to reporting and withholding on the distribution.

Under the facts presented, a distribution of \$900 is required from the plan to the participant in 2019. The participant has no investment in the contract (i.e., basis) within the meaning of Internal Revenue Code § 72 and has never made a withholding election with respect to the plan. The plan does not allow designated Roth contributions. The participant receives a check for the distribution amount, less applicable withholding, in 2019 but does not cash it or make a rollover contribution.[\[2\]](#)

The ruling provides that:

1. The participant's failure to cash the distribution check she received in 2019 does not permit her to exclude the amount of the designated distribution from her gross income in that year under Code § 402(a).
2. The participant's failure to cash the distribution check does not alter the employer's obligations with respect to withholding under Code § 3405.
3. The participant's failure to cash the distribution check does not alter the employer's obligations with respect to reporting under Code § 6047(d).

The ruling concludes by indicating that Treasury and IRS "continue to analyze issues that arise in other situations involving uncashed checks from eligible retirement plans described in § 402(c)(8)(B), including situations involving missing individuals with benefits under those plans."

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endnotes

[1] Revenue Ruling 2019-19 is available at <https://www.irs.gov/pub/irs-drop/rr-19-19.pdf>.

[2] The ruling (in footnote 1) indicates that it is irrelevant whether the individual keeps the check, sends it back, destroys it, or cashes it in a subsequent year.

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