



TaxNewsFlash

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Rev. Rul. 2019-19: Failure to cash retirement plan distribution check does not change gross income

The IRS today released an advance version of Rev. Rul. 2019-19 concluding that an individual's failure to cash a distribution check from a qualified retirement plan does not allow the individual to exclude the amount from gross income and also does not affect the withholding obligations of the plan administrator.

Read [Rev. Rul. 2019-19](#) [PDF 46 KB]

Background

The facts presented in Rev. Rul. 2019-19 are as follows:

- Employer M is the plan administrator of Plan X (a qualified retirement plan under section 401(a) that does not include a qualified Roth contribution program under section 402A(b)).
- A distribution of \$900 is required to be made from Plan X to Individual A in 2019.
- Individual A has no investment in the contract (pursuant to section 72) with respect to her Plan X benefit, has a calendar year tax year, and has never made a withholding election with respect to her Plan X benefit.
- Employer M makes the required \$900 distribution—a designated distribution within the meaning of section 3405(e)(1), by withholding tax and mailing a check for the remainder to Individual A.
- Although Individual A receives the check and could cash it in 2019, she does not do so.
- Individual A does not make a rollover contribution with respect to any portion of the designated distribution, and no other exception to income inclusion under section 402(a) applies.

Rev. Rul. 2019-19

The IRS answered the following three questions in the revenue ruling:

Question 1: Does Individual A's failure to cash the distribution check she received in 2019 permit her to exclude the amount of the designated distribution from her gross income in that year under section 402(a)?

Answer 1: Individual A'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 section 402(a).

Question 2: Does Individual A's failure to cash the distribution check she received alter Employer M's obligations with respect to withholding under section 3405?

Answer 2: Individual A's failure to cash the distribution check she received does not alter Employer M's obligations with respect to withholding under section 3405.

Question 3: Does Individual A's failure to cash the distribution check she received alter Employer M's obligations with respect to reporting under section 6047(d)?

Answer 3: Individual A's failure to cash the distribution check she received does not alter Employer M's obligations with respect to reporting under § 6047(d).

The IRS explained that the Plan X distribution to Individual A—including both the amount of the check and the amount withheld—is a designated distribution under section 3405(e)(1) that exceeds the reporting threshold. Accordingly, Employer M must report that designated distribution in Box 1 of a Form 1099-R for 2019.

Because Individual A has no investment in the contract within the meaning of section 72 and no exception to income inclusion under section 402(a) applies, Employer M must report the same amount in Box 2a as in Box 1 and must report the federal income tax withheld in Box 4. Individual A's failure to cash the distribution check she received does not alter Employer M's obligations with respect to reporting under section 6047(d).

Rev. Rul. 2019-19 concludes that the IRS and Treasury are continuing to analyze issues that arise in other situations involving uncashed checks from eligible retirement plans including situations involving missing individuals with benefits under those plans.

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