

## Service

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# IRS Issues Guidance on Uncashed Retirement Plan Checks

The IRS has released Revenue Ruling 2025-15, which clarifies the federal tax withholding and reporting responsibilities of retirement plan administrators when a distribution check is issued but remains uncashed and a subsequent check is later issued to the participant. This guidance is particularly relevant for plan administrators dealing with missing participants or unclaimed distribution checks.

### Key points of the ruling

#### ***1. No refund or adjustment for withholding on uncashed checks***

If a retirement plan distribution check is issued and federal income tax is properly withheld and remitted to the IRS, the plan is not entitled to a refund or adjustment of those amounts—even if the participant never cashes the check and it is later canceled. This means the IRS treats the distribution as complete once the check is issued and withholding is remitted, regardless of whether the participant actually receives the funds.

#### ***2. Withholding requirements for subsequent checks***

If a second check is later issued to the participant (for example, after the first check is canceled due to being uncashed), the withholding requirements depend on the amount.

**If the second check is for the same or a lesser amount:** No additional federal income tax withholding is required, since withholding was already applied to the original distribution.

**If the second check is for a greater amount** (for example, due to additional accrued earnings):  
Withholding is required only on the excess amount.

### ***3. Reporting obligations***

**Original distribution (Check 1):** The full amount of the original distribution (before withholding) must be reported on Form 1099-R for the year the check was issued, even if the check was never cashed or was returned as undeliverable. The amount withheld must also be reported.

**Subsequent distribution (Check 2):** If the second check does not exceed the original amount, no additional Form 1099-R reporting is needed. If it does exceed the original amount, only the excess must be reported on a new Form 1099-R for the year the second check is issued, along with any additional withholding.

### ***4. No relief for plan administrators***

The ruling confirms that plans cannot recover amounts withheld and remitted to the IRS on uncashed checks through adjustments or refunds. The responsibility for claiming a refund of any over-withheld tax lies with the participant, who may do so when filing their individual tax return.

### **What this means to you**

Plan sponsors and administrators should ensure their procedures for handling uncashed distribution checks align with this guidance. This includes:

Timely reporting of all distributions, regardless of whether checks are cashed.

Understanding that uncashed checks do not relieve the plan of withholding or reporting obligations.

Applying withholding only to any additional amounts if a second check is issued.

### **Contact us**

If your plan regularly deals with uncashed distribution checks or missing participants, it is important to review your administrative processes in light of this new IRS guidance. Please contact David Eckhardt or your Husch Blackwell attorney to discuss how these rules may affect your plan's operations and to ensure ongoing compliance.