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# IRS Clarifies that Failure to Cash Checks Does Not Affect Withholding or Reporting

**Employee Benefits & Executive Compensation Blog** on **July 21, 2025**

Revenue Ruling 2025-15 (available here) provides guidance on withholding and reporting obligations when a plan participant or beneficiary fails to cash a distribution check and a replacement check is issued. As discussed below, the guidance is consistent with general constructive receipt principles.

### First Check Issued to a Plan Participant or Beneficiary

When a qualified retirement plan pays a benefit to a plan participant or beneficiary, the payment is subject to withholding for income taxes (subject to limited exceptions that are not discussed here) and reporting on Form 1099-R. Revenue Ruling 2025-15 states that subsequent cancelation of the check due to the recipient's failure to cash the check would not trigger a right to refund of amounts withheld or change the reporting. A refund is not permitted unless there was an overpayment of taxes due to a calculation error, determined based on the facts at the time of the payment.

### Replacement Check

If the plan issues a second check to replace the uncashed first check, additional federal income tax withholding is not required *unless* the amount of the second check is greater than the amount of the first check (for example, due to crediting interest or additional earnings). If the second check is greater than the first check, additional withholding would be required on the additional benefit amount, and the additional benefit amount (and amount withheld) would need to be reported on Form 1099-R.

Although not addressed in the revenue ruling, if both the first and second checks are issued in the same calendar year, the aggregate amount can be reported on a single Form 1099-R (or corrected Form 1099-R). If, however, the checks are issued in different calendar years, a separate Form 1099-R would be required for each year; the Form 1099-R for the first year would report the full amount paid during that year and the Form 1099-R for the second year would report only the excess of the replacement check amount over the amount of the first check.

**Proskauer Perspective**

Although not discussed in the revenue ruling, the IRS's holdings are consistent with general constructive receipt principles, under which an individual cannot affect their tax obligations by turning their back on compensation.

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