

Section 6047. -- Information Relating to Certain Trusts and Annuity Plans
(Also: §§ 3405, 6413, 6414)

Rev. Rul. 2025-15 Withholding and Reporting With Respect to Uncashed Retirement Plan Distribution Checks (and Subsequent Checks)

ISSUES

(1) Under the facts presented (in which a retirement plan distribution check, defined in the facts presented as Check 1, was not cashed), is an adjustment or refund available under sections 6413 and 6414 of the Internal Revenue Code for amounts withheld and remitted with respect to Check 1?

(2) Under the facts presented (in which a subsequent retirement plan distribution check, defined in the facts presented as Check 2, was mailed), what federal income tax withholding obligations apply under section 3405 with respect to Check 2?

(3) Under the facts presented, what reporting obligations apply under section 6047(d) with respect to Check 1?

(4) Under the facts presented, what reporting obligations apply under section 6047(d) with respect to Check 2?

FACTS

Employer M is the plan administrator of Plan X, a qualified retirement plan under section 401(a) that does not include designated Roth accounts under section 402A,

hold employer securities, or provide benefits described in section 104 (compensation for injuries or sickness) or section 105 (amounts received under accident and health plans). Individual C, a U.S. person under section 7701(a)(30)(A) with a calendar year taxable year, has an accrued benefit in Plan X with a value of \$800, has not made a withholding election under section 3405 with respect to the accrued benefit, and has no investment in the contract within the meaning of section 72 with respect to the accrued benefit. In 2024, Employer M made a designated distribution within the meaning of section 3405(e)(1) of Individual C's \$800 accrued benefit by withholding federal income tax in the amount required under section 3405 (and, thus, reducing the accrued benefit by the withheld amount), remitting that amount to the Department of the Treasury (Treasury Department), and mailing a check for the remainder (Check 1) to Individual C at Individual C's address on file. After the designated distribution was made, Individual C did not earn any additional accrued benefit under Plan X on account of compensation from or service for Employer M. Check 1 was not cashed within six months after the date on the check, and Employer M cancelled the check.¹ Subsequently, Employer M mailed a second check (Check 2) in the amount of Individual C's accrued benefit at the time of issuance of Check 2 (net of applicable withholding, if any, required under section 3405) to Individual C.

¹ The results under this revenue ruling would be the same if the drawee was no longer obligated to make a payment with respect to Check 1 for any other reason.

LAW AND ANALYSIS

(1) Withholding

(A) In general

Section 3405 provides federal income tax withholding rules with respect to designated distributions as defined under section 3405(e)(1). With respect to specified plans, including a plan described in section 401(a), section 3405(d)(2) provides that the plan administrator shall withhold and be liable for payment of the tax required to be withheld under section 3405 unless the plan administrator directs the payor to withhold the tax and provides the payor with such information as the Secretary may require by regulations.

(B) Issuance of Check 1

(i) Possibility of adjustments for income tax withheld with respect to a designated distribution

Section 6413(a)(1) provides that, if more than the correct amount of tax imposed by section 3402² is paid with respect to any payment of remuneration, proper adjustments,³ with respect to both the tax and the amount to be deducted, shall be made, without interest, in such manner and at such times as the Secretary may prescribe by regulations.⁴ Treas. Reg. § 31.6413(b)-1 refers to § 31.6413(a)-2 for provisions related to adjustment of overpayment of tax imposed by section 3402. Pursuant to § 31.6413(a)-2(c), an adjustment is available under section 6413(a)(1) only

² Section 3405(f)(1) provides that any designated distribution is treated as if it were wages paid by an employer to an employee with respect to which there has been withholding under section 3402.

³ Proper adjustment of an overpayment of income tax withholding may involve offsetting future withholding obligations. See §§ 31.6413(a)-1(b) and 31.6413(a)-2(c).

⁴ Section 6413(a)(1) also applies with respect to sections 3101, 3111, 3201, and 3221, which relate to the Federal Insurance Contributions Act and the Railroad Retirement Tax Act.

to the extent that more than the amount required was deducted and withheld by the employer or withholding agent and the employee was reimbursed within the same calendar year in accordance with § 31.6413(a)-1(b)(1)(i), or there was an overpayment of tax attributable to an administrative error, that is, an error involving the inaccurate reporting of the amount withheld.

Under the facts presented, Employer M made a designated distribution within the meaning of section 3405(e)(1) with respect to Individual C's accrued benefit by withholding federal income tax in the amount required under section 3405, remitting that amount to the Treasury Department, and mailing Check 1 to Individual C. The amount deducted and withheld by Employer M from the designated distribution was the amount required by section 3405, and that amount was remitted to the Treasury Department. Accordingly, because more than the correct amount of tax was not withheld or paid, Employer M is not entitled to an adjustment under section 6413(a)(1).

(ii) Possibility for refund of income tax withheld with respect to a designated distribution

Section 6413(b) provides that, if more than the correct amount of tax imposed by section 3402 is paid or deducted with respect to any payment of remuneration and the overpayment cannot be adjusted under section 6413(a), a refund may be available in such manner and at such times as the Secretary may prescribe by regulations.⁵ In part, § 31.6413(b)-1 refers to § 31.6414-1 for provisions related to refunds of tax imposed by section 3402. Pursuant to § 31.6414-1(a)(1), the refund authority under section 6413(b)

⁵ Section 6413(b) also applies with respect to sections 3101, 3111, 3201, and 3221.

applies only to the extent that the amount paid to the Treasury Department was in excess of the amount deducted and withheld by the employer or withholding agent.

Similar to section 6413(b), section 6414 provides that, in certain circumstances involving income tax withholding, a refund or credit to the employer or to the withholding agent may be available. Pursuant to section 6414 and § 31.6414-1(a)(1), the refund or credit authority under section 6414 applies only to the extent that the amount paid to the Treasury Department was in excess of the amount deducted and withheld by the employer or withholding agent.

Under the facts presented, Employer M made a designated distribution within the meaning of section 3405(e)(1) with respect to Individual C's accrued benefit by withholding federal income tax as required under section 3405, remitting that amount to the Treasury Department, and mailing Check 1. Accordingly, because the amount deducted and withheld by Employer M from the designated distribution was the same amount paid by Employer M to the Treasury Department, Employer M is not entitled to a refund under section 6413(b) or 6414.

(C) Issuance of Check 2

Under the facts presented, Employer M mailed a second check, Check 2, to Individual C. If the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is less than or equal to the amount of Check 1, no federal income tax withholding is required in connection with the issuance of Check 2 because Employer M withheld the amount required under section 3405 from Individual C's accrued benefit under Plan X in connection with the issuance of Check 1. If the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is

greater than the amount of Check 1 (for example, because of earnings), the excess amount is a separate designated distribution subject to withholding at the time of the issuance of Check 2.⁶

(2) Reporting

(A) In General

Section 6047(d) provides that the Secretary of the Treasury shall, by forms or regulations, require the employer maintaining a plan from which designated distributions (as defined in section 3405(e)(1)) may be made, or the plan administrator of that plan, to make returns and reports regarding the plan. However, pursuant to section 6047(d)(1), no such return or report may be required with respect to distributions to any person during any year unless the distributions aggregate \$10 or more.

Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, is used to satisfy the reporting obligations under section 6047(d). Under the 2024 instructions to Form 1099-R, a Form 1099-R must be filed for each person to whom a designated distribution of \$10 or more has been made, and the total amount of the distribution (before federal income tax or other withholding) must be reported in Box 1 of that form. In addition, under those instructions, the taxable amount must be reported in Box 2a unless the plan administrator is unable to reasonably obtain the data needed to compute the taxable amount, and the federal income tax withheld must be reported in Box 4 of the Form 1099-R.

⁶ Under certain circumstances, federal income tax withholding with respect to a designated distribution is not required. For example, under § 31.3405(c)-1, Q&A-14, no withholding is required if the amount of an eligible rollover distribution (as defined in section 402(f)(2)(A)) is less than \$200 (subject to rules with respect to aggregating distributions within one taxable year).

(B) Issuance of Check 1

With respect to the distribution of Individual C's accrued benefit at the time of issuance of Check 1, Employer M must report the designated distribution (\$800) in Box 1 of Form 1099-R for 2024.⁷ In addition, because Individual C 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 (\$800) in Box 2a and must report the federal income tax withheld in Box 4.

(C) Issuance of Check 2

With respect to the distribution of Individual C's accrued benefit at the time of issuance of Check 2, if the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is less than or equal to the amount of Check 1, Employer M is not required to report the distribution on Form 1099-R. If the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is greater than the amount of Check 1, Employer M generally⁸ must report the excess amount in Box 1 and Box 2a on Form 1099-R for the year of the distribution and report any federal income tax withheld in Box 4 on that Form 1099-R.

HOLDINGS⁹

(1) No adjustment or refund is available under sections 6413 and 6414 with respect to the amounts withheld and remitted with respect to Check 1.

⁷ This reporting requirement applies without regard to whether the check is returned as undeliverable or remains uncashed for any other reason.

⁸ See section 6047(d)(1) (regarding \$10 reporting threshold).

⁹ Revenue rulings represent the conclusions of the Internal Revenue Service on the application of the specific provisions of law addressed in the revenue ruling to the pivotal facts stated in the ruling. Accordingly, for example, this revenue ruling does not address: (1) the appropriateness of mailing a check to an address on file that the plan administrator has reason to believe is incorrect; (2) a situation in which a second check is issued by any person other than the issuer of Check 1, including, for example,

(2) If the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is less than or equal to the amount of Check 1, no federal income tax withholding obligations apply with respect to Check 2. If the amount of Individual C's accrued benefit at the time of issuance of Check 2 is greater than the amount of Check 1, the excess amount is subject to withholding in accordance with section 3405.

(3) With respect to Check 1, Employer M must report, on Form 1099-R for 2024, the designated distribution (\$800) in Boxes 1 and 2a and the federal income tax withheld in Box 4.

(4) If the amount of Individual C's accrued benefit under Plan X at the time of the issuance of Check 2 is less than or equal to the amount of Check 1, no reporting obligations apply with respect to Check 2. If the amount of Individual C's accrued benefit at the time of issuance of Check 2 is at least \$10 greater than the amount of Check 1, the excess amount is subject to reporting in accordance with section 6047(d).

DRAFTING INFORMATION

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the Pension Benefit Guaranty Corporation (PBGC) following a transfer of an amount to the PBGC's Missing Participants Program (29 CFR Part 4050), or issued to anyone other than Individual C (for example, to the surviving spouse of Individual C); (3) any aspect of the PBGC's Missing Participants Program; or (4) issues under title I of the Employee Retirement Income Security Act of 1974, Pub. L. 93-406, 88 Stat. 829, as amended. With respect to item (3), PBGC has informed the Treasury Department and the Internal Revenue Service that PBGC is considering possible modifications to its Missing Participants Program regarding the treatment of prior tax withholding in connection with the transfer of benefits to the program.