

Deceased Employee Final Payment

Wages that were constructively received by the employee while he or she was alive are reported on Form W-2 as any other regular wage payment, even if you may have to reissue the payment in the name of the estate or beneficiary.

1. Enter stop dates on all voluntary deductions that should not be withheld.
2. Enter stop dates on the Ohio and OSDI Tax Deductions
3. Enter a stop date for the City deduction if they DO NOT tax the payment
4. Change the Federal Tax record to "P" (percentage) and enter 0%(zero) in the 'Tax Percent' field. This prevents Federal tax from being withheld.
5. If retirement should not be withheld, remove the retirement code from JOBSCN.
6. Calculate amount due to employee for most recent payroll. ie. accrued wages (amount earned but not yet paid), unused vacation, etc.
7. Change name in BIOSCN to "estate of ... " or Wife. You will want to check with your Legal or Tax advisor to be sure of the proper usage of name.
8. Process payroll as normal.
9. After pay is complete, change name in BIOSCN back to original name.
10. Using DEDSCN, reduce the total gross on the Federal Tax record by the amount of the gross paid to the estate. This amount is reportable on the 1099. (Fields to change are YTD, QTD, FYTD)
11. Using DEDSCN, reduce the taxable gross on the Federal Tax record by the amount of the gross paid to the estate minus any annuities that may have been withheld on that last payment. This amount is reportable on the 1099. (Fields to change are YTD, QTD, FYTD)
12. In USASCN/VENSCN, add a vendor payable to the estate as Misc. Income Vendor, set 1099 flag to "Y". Enter gross amount paid to the estate.
13. FYI....W2PROC will flag a warning for this employee indicating total annuities do not equal total gross less taxable gross. This warning is Okay and can be ignored. May want to attach notes to the W2REPT at Yr-End indicating why the warning is valid.
14. FYI....The total gross on QRTRPT will be short compared to the total gross from the warrant checks processed for the payrolls, by the gross paid to the estate.

Note-

If you made the payment in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report the payment on the employee's Form W-2 only as social security and Medicare wages to ensure proper social security and Medicare credit is received.

If you made the payment after the year of death, do not report it on Form W-2, and do not withhold social security and Medicare taxes.

Whether the payment is made in the year of death or after the year of death, you also must report it in Box 3 of Form 1099-MISC, Miscellaneous Income, for

the payment to the estate or beneficiary. Use the name and taxpayer identification number (TIN) of the payment recipient on Form 1099-MISC.