

# Deceased Employee Final Payment

This document outlines what needs to be done to make a final payment for a deceased employee


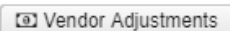


- Wages that were constructively received by the employee while he or she was alive are reported on Form W-2 as any other regular wage payment, even if you may have to reissue the payment in the name of the estate or beneficiary.
- If you made the payment in the same year the employee died, you must withhold social security and Medicare taxes on the payment and report the payment on the employee's 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 the payment on a 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.

- 1. Enter Stop dates on all voluntary Payroll Items that should not be withheld.
- 2. Enter Stop dates on the Federal, Ohio, and OSDI Tax Payroll Items.
- 3. Enter a Stop date for the City Payroll Item if they DO NOT tax the payment
- 4. If retirement should not be withheld, change the Retirement Code to "None" on the Position record.
- 5. Calculate amount due to employee for most recent payroll. ie. accrued wages (amount earned but not yet paid), unused vacation, etc.
- 6. Change First Name field on the Core/Employee record to "Estate of " and in the Last Name field enter in the "deceased employee's name".



You will want to check with your Legal or Tax adviser to be sure of the proper usage of name.

- 7. Process payroll as normal.
- 8. After pay is complete, change Name fields on Core/Employee record back to original name.
- 9. In USAS-R go to Core/Vendors, create a Vendor payable to the Estate of the deceased employee.
  - Under Locations
    - Add a location for the vendor entering the Address details along with marking both PO and 1099 boxes so the vendor is marked as a 1099 vendor.
  - Click on "Save" to create the vendor.
  - View  the Vendor. Click on 'Vendor Adjustments'  and 'create'.
    - Enter a Date, Description and the **Gross amount** paid to the estate, leaving the Taxable Box checked and post the adjustment.



The amount will appear in the FYTD & YTD Taxable and Total amount fields on the vendor.



W2 Report may flag a warning for this employee indicating total annuities do not equal total gross less applicable gross. This warning can be ignored. You may want to attach notes to the W2 Report at Year-End indicating why the warning is valid.

The total gross on Quarter Report will be short compared to the total gross from the USAS checks processed for the payrolls, by the gross paid to the estate.