



Deceased Employee Final Payment (Redesign)

Revised November 2021

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. Under [Payroll Item](#), enter a **Stop Date** on all voluntary Payroll Items that should not be withheld.
2. Enter a **Stop Date** on the Ohio and OSDI Tax Payroll Items.
3. Enter a **Stop Date** for the City Payroll Item IF they DO NOT tax the payment.
4. Change the Federal Tax **Rate Type** to "Percent" and enter "0" (zero) in the **Rate** field. This prevents Federal tax from being withheld.
5. If retirement should not be withheld, change the **Retirement Code** to "None" on the [Position](#) record.
6. Calculate the amount due to employee for most recent payroll, i.e. accrued wages (amount earned but not yet paid), unused vacation, etc.
7. On the [Employee](#) record, change the **First Name** field to "Estate of" and the **Last Name** field to "(deceased employee's full name)" or change the Name fields to the Spouse's name. Check with a legal or tax advisor to be sure of the proper name usage.
8. (Contract Employees Only) On the [Compensation](#) record, update the **Contract Obligation**, enter **Compensation Stop Date** (the employee's last day of work – must be in pay date range), and change the **Pays in Contract** (to be one more than pays paid), and click the **Calculate** button. Ensure that the new **Pay Per Period** amount is what is expected. Click **Save**.
9. Go to [Payroll Payments Future](#) or [Current](#) and create any necessary payment records. For Non-Contract Compensations, a MISC record could be entered as normal. Then process payroll (ensure that the payoff amount is correct).
10. After pay is complete, change the Name fields on the [Employee](#) record back to the original name.
11. Using [Adjustments](#), Click Create and find the **Employee**, select the "Type: Federal Tax, Code: 001" **Payroll Item**. Choose **Type**-"Total Gross". Enter a **Transaction Date** that is in the current Posting Period (Using a date within the current posting period will reduce the gross for YTD, QTD, FYTD). Enter in the **Amount** of the Gross paid to the estate as a negative figure and a **Description**. This amount is reportable on the 1099.



12. Using [Adjustments](#), Click Create and find the **Employee**, select the “Type: Federal Tax, Code: 001” **Payroll Item**. Choose **Type**-“Applicable Gross”. Enter a **Transaction Date** that is in the current Posting Period (Using a date within the current posting period will reduce the Applicable Gross for YTD, QTD, FYTD). Enter in the **Amount** of the Applicable Gross paid to the estate as a negative figure and a **Description**.

Note-Calculate the Applicable Gross on the Federal Tax record by taking the amount of the gross paid to the estate minus any annuities that may have been withheld on that last payment.

13. In [USAS-R](#), go to [Core>Vendors](#), create a Vendor with a **Primary Name** “Estate of (the deceased employee)”. Select **Type 1099** “Other Income”. Under **Locations**, create 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. Next, 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.

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

15. FYI...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.

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.