

Manual Updates for Deceased Employee Reporting

(See IRS Publication Instructions for Forms W-2 and W-3; Deceased Employee's Wages)

IF PAYMENT IS MADE IN THE SAME YEAR THAT THE EMPLOYEE DIED FOLLOW THESE PROCEDURES.

1. Enter stop dates on all voluntary deductions that should not be withheld. Check pre-paid insurances to determine if a refund of deduction is required.
2. Enter stop dates on the Ohio Tax Deductions
3. Enter a stop date for the City deductions 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. These payments are subject to Medicare taxes (or Social Security taxes if applicable).
5. If retirement should not be withheld, remove the retirement code from JOBSCN. (i.e. unused leave)
6. Calculate amount due to employee for most recent payroll: accrued wages (amount earned but not yet paid), unused vacation, etc.
7. Change name in BIOSCN to "estate of...." or wife. Check with 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. (W2 reflects the employee's name.)
10. Using DEDSCN, reduce the total gross and taxable gross wages 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. In USASCN/VENSCN, add a vendor payable to the estate as Misc Income Vendor, set 1099 flag to "Y". Enter the gross amount paid to the employee in the YTD field.

ADDITIONAL INFORMATION:

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. Attach notes to the W2REPT at year end indicating why the warning is valid, if necessary.

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.

IF THE PAYMENT WAS MADE AFTER THE YEAR OF DEATH, DO NOT REPORT IT ON FORM W-2 AND DO NOT WITHHOLD SOCIAL SECURITY OR 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 ID number (TIN) of the payment recipient on Form 1099-MISC.

NOTE: In some instances a W2 is required immediately after death or final payment. Contact the ITC before processing the W2 to verify that all software updates that affect year end processing have been made.