

USPS-R 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.

Important 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.

1. Enter **Stop dates** on all voluntary **Payroll Items** that should not be withheld.
2. Enter **Stop dates** 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 "P" (**percentage**) 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 amount due to employee for most recent payroll. ie. accrued wages (amount earned but not yet paid), unused vacation, etc.
7. Change **First Name** field on the **Employee** record to "**Estate of** " and in the **Last Name** field enter in the "**deceased employee's name**" or change the **Name fields** to the **Spouse's name**. 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** fields on **Employee** record back to original name.
10. Using **Adjustments**, Click **Create** and find the employee, select the **001 Federal 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. This amount is reportable on the 1099.
11. Using **Adjustments**, Click **Create** and find the employee, select the **001 Federal 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.

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**. This amount is reportable on the 1099.

12. In **USAS-R** go to **Core>Vendors**, create a Vendor payable to the **Estate of the deceased employee**. 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.

13. **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. May want to attach notes to the W2 Report at Year-End indicating why the warning is valid.

14. **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.