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## Deceased Pay processing, *continued*

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### Payments to Heir/Survivor

In compliance with Code of Virginia 64.1-132.3, when there is no executor or administrator (and the payment is less than \$15,000) the agency must wait 60 days before processing the payment to any successor (e.g., spouse, next of kin, etc.).

When meeting with the heir(s), the agency will need to request and retain the following items before payment is processed:

- IRS Form W-9: The heir should complete the W-9 with the heir's name and SSN and NOT the employee's name/SSN. If paying more than one heir, each heir should complete a separate W-9 form.  
NOTE: If the payee is not a US citizen, then they should complete a W-8 form and 30% tax may need to be withheld. Please contact Martha Laster for assistance with non-US citizens.

Though no longer required it is suggested that the agency continue to request the following forms:

- List of Heirs form: <http://www.courts.state.va.us/forms/circuit/cc1611.pdf> . The family needs to complete this form with the Circuit Court.
- Survivor Affidavit: Completed, signed and notarized. (See last page of this bulletin.)

*After the 60 days have passed*, a call to the Court in the locality where the employee lived is required to ensure that no application for the appointment of a personal representative (executor or administrator) is pending or has been granted in any jurisdiction. Be sure to document the date called and name and position of the individual to whom you speak.

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### Additional Actions Before Payment is Issued

The agency needs to take the following action before issuing the final check:

- Retain a certified copy of the death certificate.
- Notify the Virginia Retirement System and Minnesota Life of the death of a salaried employee.
- Deduct any court-ordered deductions such as child support, garnishments, tax levies, etc.
- Deduct any amounts "Due to Agency/Commonwealth." Such items may include health care premiums, flexible spending contributions, parking fees, amounts for unreturned uniforms or equipment (you must have written authorization from the employee on file before withholding), and any unpaid balance on the Travel Charge Card.
- Health care options available to the survivors should be coordinated with your agency HR department.

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## Deceased Pay processing, *continued*

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### **Deduction for Amounts Owed to Agency**

Deduction 010, DUE AGY, is used in deducting amounts due to the employing agency for which written permission from the employee is retained on file. Generally this would represent the value of items which are required to be returned upon termination, death, or reassignment from a specific position. Examples include uniforms, electronic equipment such as cell phones, laptops, PDAs, and any outstanding balance on the Travel Charge Card.

Deduction 010 is a *post-tax deduction* and should not be used for amounts due for pre-tax items such as health care or pre-tax parking.

When used, a single check will be generated for all employees with this activated deduction. If you have the need to begin using this deduction, email J. R. Rodgers ([john.rodgers@doa.virginia.gov](mailto:john.rodgers@doa.virginia.gov)) providing the name and address to be included on the check.

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### **Deduction for Deceased Payments**

Deduction 013, DEC-NET, is used to generate payments to beneficiaries or the Estate. In the same manner as a garnishment or tax levy, a check payable to the payee indicated on the H0901 screen will be created. The net amount will be calculated as gross, minus FICA tax (if any), minus pre-tax deductions, Deduction 010, and any child support, garnishment, or tax levy. Be sure to turn off direct deposit and any other deductions that should not be withheld from the final deceased payment.

Only one name may be established for use with this deduction. If funds need to be split among multiple payees, the agency will need to deposit the check to a petty cash fund, and then make the necessary payments. If no petty cash fund is available, then the check will need to be deposited to the Treasurer of Virginia and CARS transactions must be processed to issue the necessary payments.

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### **Deductions for Retirement on Final Creditable Comp**

Final transactions for the VRS-administered deductions should be processed as soon as possible to ensure that the deceased employee's retirement record is completed for the month of death. Failure to do so may delay receipt of benefits by the beneficiaries or may result in adjustments after benefits have been paid out.

Enter the amounts on the HTODA screen and process with a penny of regular pay.

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## Deceased Pay processing, *continued*

### Payment Processing

Payments in the year following the date of death should be made through CARS and not in CIPPS *if no deductions need to be withheld*. However, if you need to deduct money for health insurance, child support, etc. you should process the payment through CIPPS.

Payments processed through CIPPS should be entered as follows:

1. Do NOT change the name or SSN on the H0BID screen.
2. Set up the H0901 screen to have the check written to the Heir or Estate as indicated on the W-9 form. Example: "Estate of Employee X, Executor (or Administrator) Name, Executor (or Administrator)" or "Survivor Name".
3. Set up deduction 013 on H0ZDC with the AMT/PCT of 1.00000 so that 100% of the net pay is written to the check. Enter a "2" in the first position of the utility field and enter the name number from H0901 in the 17<sup>th</sup> position.
4. For any pre-tax deductions and court-ordered deductions to be withheld, leave the deduction frequency active. Turn off all other deductions to include direct deposit. Use Deduction 010 for *any post-tax deductions* for which collection is required.
5. Enter a special pay transaction, using the proper deceased-pay special pay number\*:

Special Pay Number		Description
054	DEC-CURR	All payments due to the employee after the date of the employee's death should be made using this special payment, EXCEPT IF THE DEATH OCCURRED IN A PRIOR CALENDAR YEAR.
055	DEC-PRIR	Used to process pay if the death occurred during a prior calendar year.

\* Note: The names of these two special pay codes have been modified to indicate whether the death occurred in the prior year or current year.

### Calendar Year End Processing

At calendar year end:

- a. The W-2 should be issued in the employee's name and SSN.
- b. Manually issue a 1099-MISC using the information from the W-9 form in accordance with IRS regulations and instructions for form 1099-MISC.

### Unclaimed Property

If there are no known beneficiaries after one year, then the payment should be transferred to the Virginia Department of Treasury, Unclaimed Property Division according to their policies and procedures found on their website: <http://www.trs.virginia.gov/Ucp/ucp.asp>

## Reclassification of Taxable Income for Flexible Reimbursement Card Payments

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**Reclassification** According to IRS guidelines (Revenue Ruling 2003-43, 2006-69), all Card transactions must be validated. FBMC is permitted, under the IRS guidelines, to automatically validate (auto-adjudicate) certain transactions. In the event that FBMC cannot auto-adjudicate card transactions, FBMC requests supporting documentation by reporting those transactions in blue on employees' monthly statements or in red at [www.myFBMC.com](http://www.myFBMC.com). If documentation is not received, then the outstanding transaction amounts must be reported to the Internal Revenue Service (IRS) as income on the employee's W-2 form, and are subject to all applicable employment taxes (including federal and state income tax withholding and FICA).

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**Automated Reclassification** A file will be loaded the night of November 16 which will automatically update the taxable and non-taxable fields for those employees who have been paid in 2010. This file will simply adjust the year-to-date accumulation fields and will not process through a payrun and reflect on a Report 10. Therefore, any agency maintaining control totals for the purpose of balancing quarterly or calendar year-end totals will need to make manual adjustments. The amounts can be derived from the data available on the Report 1006.

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**2010 Terminations - Manual Payset Required**

A manual payset will be required to invoke the collection of FICA taxes for those employees **who have terminated in 2010**. An example of the required transaction is provided below.

The amount of OASDI (.062) and HI (.0145) tax related to the reclassified income must be calculated. The combined total should be entered in the NET field with an adjustment indicator of '-' and the individual amounts entered for OASDI and HI with an adjustment indicator of '+'.

The employee must be reactivated in a non-auto time card status and a time and attendance transaction for \$.01 must be entered to pull through the manual payset.

The Department of Accounts will create a journal entry to charge the line agency for the uncollected employee FICA amounts.

It is imperative that these transactions are processed in a timely manner in order for the taxes to be remitted to the IRS by the Department of Accounts. Failure to process these transactions will result in a requirement of the individual agency to remit the taxes to the IRS via EFTPS.

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## Reclassification of Taxable Income for Flexible Reimbursement Card Payments, *continued*

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**2009  
Terminations**

For those employees who terminated in 2009, the Department of Accounts will process W2Cs and 941Xs. DOA will contact each agency as these are processed to request the payment to the IRS be made via EFTPS in conjunction with the filing of the 941X.

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**Active  
Employees**

No action is required for active employees as FICA will self-adjust when the employee is paid in December. However, if you have an active employee who will not be receiving any payments in December, please follow the instructions provided for employees who have terminated during 2010.

SURVIVOR AFFIDAVIT

TO BE USED FOR PAYMENT OF AMOUNTS LESS THAN \$15,000 AND WHEN NO QUALIFICATION OF THE ESTATE HAS OCCURRED WITHIN 60 DAYS. (Reference Code of Virginia 64.1-132.2)

I am the surviving spouse or successor of \_\_\_\_\_, an employee of (Agency Name) \_\_\_\_\_ who died on \_\_\_\_\_.

I attest to the best of my knowledge that :

- the amount due is less than \$15,000.00, and
• at least 60 days have passed since the death, and
• no personal representative (executor or administrator) has been appointed, and
• no applications for appointment are pending, and
• any will of the decedent has been probated, and
• a copy of the official list of heirs is attached
• I understand that I have a fiduciary duty to safeguard and promptly pay or deliver this payment to other successors as required by the laws of the Commonwealth, if any.

I request release of all remaining wages or other sums due him/her made payable to me as soon as possible after the 60 day period required by Virginia law. I agree to repay the Commonwealth of Virginia all monies received by me if it is discovered by the probate of a will or other evidence that I was not entitled to receive such wages or other sums.

Signature \_\_\_\_\_

Printed Name: \_\_\_\_\_

Social Security Number: \_\_\_\_\_

Address: \_\_\_\_\_

City, State and Zip Code \_\_\_\_\_

Notary:

State of \_\_\_\_\_ City/County of \_\_\_\_\_ on this \_\_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_, \_\_\_\_\_ whose name is signed to the foregoing affidavit, personally appeared before me, acknowledge the foregoing signature to be his/hers, and having been duly sworn by me, made oath that the statements made in this affidavit are true.

My commission expires \_\_\_\_\_

Notary Public (Seal)
Registration No. \_\_\_\_\_