

Department of Accounts

Payroll Bulletin

Calendar Year 2010

January 8, 2010

Volume 2010-03

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the Payroll
Bulletin.....*

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Note: Two new deductions are discussed in this bulletin.

The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Cathy McGill at (804) 371-7800 or Email at cathy.mcgill@doa.virginia.gov

State Payroll Operations

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Repeating Data: Payroll Bulletin 2009-13

In June of 2009, Payroll Bulletin 2009-13 notified agencies of a change in procedure for processing deceased pay payments. Additionally it notified agencies of a statewide deduction that has been established for withholding amounts due to agencies by individual employees. It appears that many agencies have not implemented these changes. Therefore, the information provided in PB 2009-13 is being reiterated in this bulletin.

At Calendar-Year-End 2010 DOA expects to have zero occurrences of employee names with "Estate of" to have to correct for W-2s.

Deceased Pay Processing

Overview

Payments due to a deceased employee (regular, overtime, leave balances, etc.) are subject to certain provisions within the Code of Virginia that govern the process by which those payments are made. The guidelines and legal requirements governing deceased pay are complicated. Individual circumstances can vary and may require additional guidance from the Attorney General's Office.

\$15,000 Threshold Rule

In compliance with Code of Virginia 64.1-123, when there is *no executor or administrator* and the gross amount due is *less than \$15,000* the agency must wait 60 days before processing the payment to the surviving spouse or next of kin. If the gross amount due is *\$15,000 or more*, payment can only be made to the *certified executor or administrator of the estate*.

Deceased Pay processing, *continued*

Payments to Executor or Administrator

When there is a court-approved executor or administrator agencies can process the final payment immediately, regardless of the amount, once the required documentation (listed below) is received.

When meeting with the executor or administrator, the agency will need to request and retain the following items before payment is processed.

- IRS Form W9 with the TIN for the estate and the name of the executor or administrator (not the employee's name/SSN, not the executor/administrator SSN).
 - The executor/administrator must apply for and receive a TIN for the estate by completing IRS form SS4, which can be found at: <http://www.irs.gov/pub/irs-pdf/fss4.pdf> . They can call 800-829-4933 for assistance in completing the form and can receive the number "within minutes".
 - If the payee is not a US citizen, then they should complete a W8 form and 30% tax may need to be withheld. Please contact Martha Laster (Martha.Laster@doa.virginia.gov) for assistance with non-US citizens.
 - Copy of the Certificate/Letter of Qualification. This is the court document that certifies who was appointed executor or administrator.

Payments to Heir/Survivor

In compliance with Code of Virginia 64.1-123, when there is no executor or administrator (and the payment is less than \$15,000) the agency will need to wait 60 days before processing the payment to the heir/survivor (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 W9: The heir should complete the W9 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 W9 form.
NOTE: If the payee is not a US citizen, then they should complete a W8 form and 30% tax may need to be withheld. Please contact Martha Laster for assistance with non-US citizens.
- 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 no one has been named as executor or as administrator. Be sure to document the date called and name and position of the individual to whom you speak.

Deceased Pay processing, *continued*

**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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**New
Deduction for
Amounts
Owed to
Agency**

Deduction 010, DUE AGY, has been established for use 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) providing the name and address to be included on the check.

**New
Deduction for
Deceased
Payments**

Deduction 013, DEC-NET, has been established to generate deceased payments. In the same manner as a garnishment or tax levy, a check will be created payable to the payee indicated on the H0901 screen. 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.

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 W9 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 17th 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 W2 should be issued in the employee's name and SSN.
- b. Manually issue a 1099-MISC using the information from the W9 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>

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 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. _____