

DECEASED EMPLOYEES

PURPOSE

This recommended practice describes the steps for processing the final payment for a deceased employee when the payment occurs in the same tax year as the employee's death.

If you are making the payment in a subsequent tax year, see the SFMS Desk Manual, PAYM.2, Issuing Survivor / Estate Payments on Behalf of Deceased Employees, <http://oregon.gov/DAS/Financial/AcctgSys/Documents/paym2.pdf>.

AUTHORITY / REFERENCES

See Resources below

SCOPE / APPLICABILITY

This practice applies to any agency that:

- Uses OSPA
- Has a deceased employee

The process may vary by bargaining agreement, employment status, dependents, etc. See Resources below.

RESPONSIBILITIES

Entity	Responsibility
Employee's Manager	<ul style="list-style-type: none"> • Communicates employee information to agency Human Resources • Approves time and works with payroll to ensure final time is recorded
Agency Human Resources	<ul style="list-style-type: none"> • Enters separation in the PPDB • Notifies agency Payroll Office
Agency Timekeeper or Payroll Office	<ul style="list-style-type: none"> • Enters employee's final time in OSPA
Agency Payroll Office	<ul style="list-style-type: none"> • Determines if payment will be made from OSPA or R*STARS: <ul style="list-style-type: none"> ▪ If the payment will come from OSPA, follows the Recommended Practice below ▪ If the payment will come from R*STARS, follows the SFMS Desk Manual, PAYM.2, Issuing Survivor / Estate Payments on Behalf of Deceased Employees

Entity	Responsibility
Agency Authorized Signatory	<ul style="list-style-type: none"> Approves OSPA manual check request or R*STARS voucher payable request
Centralized PERS Services Team, Financial Business Systems (FBS), Enterprise Goods and Services (EGS), Department of Administrative Services (DAS), Central.PERServicesTeam@oregon.gov	<ul style="list-style-type: none"> Acts as liaison between state agencies and PERS Prepares electronic file for PERS after each final payroll run, see Notes, PERS EDX/jClarety below Reconciles PERS reporting
Oregon Statewide Payroll Services (OSPS), Financial Business Systems (FBS), Enterprise Goods & Services (EGS), DAS, OSPS.Help@oregon.gov	<ul style="list-style-type: none"> When requested to do so, scrubs PIN for an employee using on-line daily time (ODT) Advises on current rate for back-up withholding Processes and distributes manual checks to agencies Reports and pays required payroll taxes, assessments and retirement contributions At the end of the tax year, produces 1099-MISC forms as required
Agency Accounting	<ul style="list-style-type: none"> If payment will be made through R*STARS, enters voucher payable transaction(s) in R*STARS Following OAM Chapter 35, manages account receivable for any outstanding overpayments
Printing and Distribution (P&D), Enterprise Goods & Services (E&G), Department of Administrative Services (DAS)	<ul style="list-style-type: none"> Prints checks, pay stubs and W-2's Distributes them to state agencies and OSPS

SYSTEMS / APPLICATIONS

System / Application	Functionality
Position and Personnel Database (the PPDB)	<ul style="list-style-type: none"> Interfaces the employee's separation to OSPA instantly and to PDB nightly See Notes, PERS EDX/jClarety below
PEBB "dot" Benefits (PDB)	<ul style="list-style-type: none"> After agency approval, interfaces the stop date for PEBB benefits to OSPA every two minutes Each Friday sends data files: <ul style="list-style-type: none"> Coverage changes to insurance carriers COBRA notice requests to the third-party administrator (TPA)
PERS EDX/jClarety	<ul style="list-style-type: none"> Maintains hours worked and contributions made for PERS retirement plans

System / Application	Functionality
Oregon Statewide Payroll Application (OSPA)	<ul style="list-style-type: none"> • Generates PPNN deduction for manual check(s) • Sends PEBB premiums to carriers • After final run 2: <ul style="list-style-type: none"> ▪ Sends hours worked and PEBB deductions from the P070 Deductions and Deduction Adjustments screen to PDB ▪ Sends hours worked and contributions to PERS EDX/jClarety, see Notes, PERS EDX/jClarety below • Calculates taxes and assessments for each payroll run • Produces W-2 for current and former employees

PREREQUISITES

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RECOMMENDED PRACTICE

This practice describes the process when you are making the payment through OSPA in the year of the employee's death. It includes two sections:

- Process the Final Payment
- Calculate Back-up Withholding

If you are making the payment in a subsequent tax year, see the SFMS Desk Manual, PAYM.2, Issuing Survivor / Estate Payments on Behalf of Deceased Employees, <http://oregon.gov/DAS/Financial/AcctgSys/Documents/paym2.pdf> .

Before you make the payment, consider the following:

- Determine the eligible payees
- Obtain Taxpayer Identification Numbers (TIN)
- Evaluate the Timing for the Payment

DETERMINE THE ELIGIBLE PAYEE(S)

ORS 652.190 Payment of wages to surviving spouse or dependent children defines the payee for the final wages for a deceased employee:

- Pay up to \$10,000 to a surviving spouse, including a same sex partner registered under the Family Fairness Act of 2007
- If no surviving spouse or registered same sex partner but dependent children, pay up to \$10,000, dividing it equally among the children
- If no surviving spouse, registered same sex domestic partner or dependent children, pay the estate
- If more than \$10,000 with a surviving spouse, registered same sex partner or dependent child, pay the amount above \$10,000 to the estate

ORS 652.190 does not define a dependent child. OSPS recommends that you use IRS Publication 501 Exemptions, Standard Deduction and Filing Information for guidance. The IRS defines a qualifying dependent child as someone who:

- Is a son, daughter, stepchild or foster child
- Is:
 - Younger than the deceased employee
 - Under 19 at the end of the year or
 - Under 24 at the end of the year and a full-time student or
 - Permanently and totally disabled
- Lived in the employee's household for more than half of the year
- Did not provide more than half of his/her own support for the year

In making payments for a minor dependent child, your agency may want to make the payment to the guardian, custodian or conservator for the minor child. Make the check payable to the person "on behalf of" the minor child.

For payments to the estate when there is no surviving spouse, registered domestic partner or dependent child or the wages exceed \$10,000:

- For an estate that is not a probated estate, follow ORS 293.490 for making payment(s)
- For a probated estate under ORS 114.225 to 114.350 and 114.385 and for a small estate under ORS 114.505 to 114.560, make the payment to:
 - The court appointed personal representative or
 - The estate of the deceased employee

OBTAIN TAXPAYER IDENTIFICATION NUMBER (TIN)

When the state makes payments that are subject to federal and state income and FICA (social security and Medicare) taxes, the federal Internal Revenue Code (IRC §6109 (d) and §6041) and ORS 316.167 require that the state report the payments to the IRS and the Oregon Department of Revenue.

The deceased employee's final unpaid wages are subject to FICA taxes, but not federal or state income taxes, for the employee. If a beneficiary, including the estate, receives ≥\$600.00 (including the imputed value for domestic partner insurance), the payment is subject to federal and state income taxes for the recipient.

For both the IRS and the Oregon Department of Revenue, the TIN identifies the specific payee. A TIN may be:

- A social security number (SSN) for individuals
- An employer identification number (EIN) for the estate

The IRS strongly recommends that we not make a payment if the payee does not supply a TIN. If an individual beneficiary or the estate does not supply a TIN, IRC §3406 requires the state to deduct back-up withholding from the payment. Back-up withholding is an IRS procedure to withhold part of the payment to ensure that a taxpayer, who does not have a TIN, still has taxes withheld from his/her income to cover a potential tax liability.

To apply for a TIN:

- EIN for the estate from the IRS, <http://www.irs.gov/>
- SSN for survivors from the Social Security Administration, <http://ssa.gov/pubs/10002.html>

EVALUATE THE TIMING FOR THE PAYMENT

ORS 652.190 Payment of wages to surviving spouse or dependent children provides the following:

All wages earned by an employee, not exceeding \$10,000, shall, upon the employee's death become due and payable to the employee's surviving spouse, or if there is no surviving spouse, the dependent children, or their guardians or the conservators of their estates, in equal shares, **to the same extent as if the wages had been earned by the surviving spouse or dependent children.**

DOJ has interpreted this language for OSPS to mean that when an employee passes away, his or her wages become due to the surviving spouse or dependent children at the same time and in the same manner that they would have been due to the employee had the employee still been alive and working for the state.

If you receive notice of an employee's death and final payroll has just run, you will have some unique considerations:

- If the employee normally receives a check, you may be able to pull the check prior to distribution. If it is possible:
 - Pull the check
 - Ask OSPS to cancel it
 - Follow this practice to process the final payment
 - Request replacement check(s)
- If your agency has already distributed the check, the employee's survivors may request that you reissue the check to a different payee. Under Revenue Ruling 71-525, reissue the check in the same face amount as the original check to the appropriate payee. Under the Ruling, the wages are still subject to income tax withholding, as well as social security and Medicare.
- If the employee has either fixed or net pay direct deposit(s), immediately contact the OSPS Accountant. Together you can determine whether to stop or reverse the deposit(s) or to allow them to process. See the OSPA Reference Manual, Entry Guides, Direct Deposit.
- If the employee has already received the payment, via check or direct deposit, make the entries in OSPA to correct the employee's final time, if needed, and pay the employee's survivors or estate for anything the agency still owes, such as vacation or comp time pay-offs or expense reimbursements. Issue this payment as described in this recommended practice.

PROCESS THE FINAL PAYMENT

Use the following practice if you are processing the final payment in the year of the employee's death. If it is a subsequent year, make the payment through R*STARS.

Action	More
1. See Evaluate the Timing of the Payment above.	

Action	More
2. Determine payee(s) and obtain correct spelling of name, current address and TIN for each payee. See Determine the Eligible Payee(s) and Obtain Taxpayer Identification Numbers above. See Supporting Documentation / Forms below for suggested documentation.	
3. Confirm data interfaced from the PPDB to OSPA and gather data you will need on the P030 Job Status Data screen. The data includes: <ul style="list-style-type: none"> ▪ JOB STAT START – If a new job segment for the current or prior month includes PERSONNEL TRANS CD 232 or 237, see Notes, Accrued Leave, Leave Accrual Service Code Change below. ▪ JOB STAT STOP – date separation effective in the PPDB ▪ PERSONNEL TRANS CODE – 540 (permanent) or 567 (temporary) ▪ BENEFIT PKG CD – see OSPA Reference Manual, Codes, Benefit Package Codes ▪ LEAVE ACCRUAL SVC CD – used to accrue vacation leave ▪ EQUIVALENT RATE – to be used for vacation and/or comp time pay-off ▪ SEPARATION DT / REASON – 40 (permanent) or 65 (temporary) 	See the OSPA Reference Manual, Screen Descriptions, P030.
4a. If the employee has a timesheet , enter the employee's time on the P001 Session Default Values and P003 Time Capture screens. On the P001 screen: <ul style="list-style-type: none"> ▪ Timesheet start date = the first of the month ▪ Timesheet end date = JOB STAT STOP date from the P030 screen ▪ Pay period ending date = last day of the month 4b. If the employee is on ePayroll <ul style="list-style-type: none"> ▪ If the timesheet in ePayroll is not up to date, update timesheet information with input from the manager ▪ Have the employee's manager approve time in ePayroll 4c. If the employee was on ODT: <ul style="list-style-type: none"> ▪ If you do not know the employee's PIN, ask OSPS to scrub the PIN. Then, establish a new PIN on the P005 Payroll Time Capture – Employee Entry Menu screen ▪ Enter the time on the P004 Time Capture screen ▪ Have the employee's manager approve the time on the P006 Payroll Time Capture – Supervisor Entry Menu screen 	If the employee does not have time entered for the prior month, ensure the time is entered and approved for the prior month.
5. Make the following entries on the P010 Withholding Data / Locator Data screen: <ul style="list-style-type: none"> ▪ FINAL CHECK ISSUED -- date for final check(s) ▪ FINAL CHECK PERIOD ENDING – last day of the month for the FINAL CHECK ISSUED date 	See the OSPA Reference Manual, Screen Descriptions, P010.

Action	More
<p>6. Accrue (advance), transfer, pay-off and adjust leave:</p> <ul style="list-style-type: none"> ▪ If the leave accrual has not run for the prior month and the employee is eligible, accrue (advance) sick and vacation leave for the prior month ▪ If the employee is eligible, accrue (advance) sick and vacation leave for the employee's regular paid hours in the current month ▪ If the employee has compensatory time and is eligible, pay it off on the P050 Gross Pay Adjustments on File screen ▪ If the employee has vacation leave, was not on trial service and is eligible, pay it off on the P050 screen, up to the maximum amount allowed under the applicable policy or bargaining agreement. If a vacation leave balance remains after the P050 entry, reduce the balance to zero on the P435 Employee Leave Data screen. ▪ If the employee was on trial service, adjust any VA balance to zero. ▪ Transfer sick leave to the clearing account with an expiration date of 60 days for the final PERS calculations ▪ Adjust personal business and all non-accrued leave balances to zero ▪ For all leaves, ensure ACCURAL BAL, REMAIN ADV and TIME LOST will be zero on the P430 Employee Leave Data screen after the next leave accrual 	<p>See the OSPA Reference Manual, Handbooks, Leave Accrual and Reporting.</p> <p>See Notes, Accrued Leave below.</p>
<p>7. Approve the separation in PDB. Confirm the PDB changes for PEBB benefits on the P070 Deductions and Deduction Adjustments screen in OSPA. See Notes, PEBB Benefits below.</p> <p>NOTE: If the employee had core insurances for a spouse, domestic partner and/or children and had ≥80 regular paid hours the last month, PDB will leave those deductions plus the agency paid basic life insurance on the P070 screen for the last month. OSPA will not automatically pay the premiums if any of the core (medical, dental, vision and basic life) insurances are missing.</p>	

Action	More
<p>8. Also, on the P070 Deductions and Deduction Adjustments screen, evaluate non-PEBB deductions:</p> <ul style="list-style-type: none"> ▪ Union deductions are for the current month. If the employee was in a represented position, follow contract requirements in deciding whether to delete the dues or fair share in the current or next pay period. ▪ If the employee has union sponsored insurances, contact the applicable union for guidance in deleting these deductions. ▪ Parking deductions for state-owned parking are for the current month. Leave the deduction for the final pay and delete it for the next pay period. If the employee has a deduction for state-owned parking and passes away before the end of the month, DAS, Facilities, Parking will pro-rate the final payment. Contact DAS Parking for the final amount. ▪ Deductions for privately owned parking frequently pay for parking in advance. If so, delete these deductions in the current pay period. ▪ If the employee participates in the Oregon Savings Growth Plan, notify OSGP. The final payment is not subject to federal income tax withholding. Even if the P070 screen has a DCNN deduction, OSPA will not take the deduction. ▪ The employee may have up to nine direct deposit deductions. Delete all of them in the earliest pay period displayed on the P190 Payroll Register Data screen. This will prevent an accidental direct deposit if you or OSPS later set a corrective. ▪ Delete other non-PEBB voluntary deductions for the final pay. 	<p>See the OSPA Reference Manual, Interfaces, Oregon Savings Growth Plan and Entry Guides, Direct Deposit.</p>
<p>9. Review any additional entries unique to the employee, including:</p> <ul style="list-style-type: none"> ▪ If the employee opted out of PEBB medical or medical and dental insurance, see Notes, PEBB Benefits, Opt Out below. ▪ If the employee had health or dental insurance coverage for a domestic partner and/or the partner's eligible children, see Notes, PEBB Benefits, Domestic Partner Insurance below. 	
<p>10. Check payroll records and with your agency's account receivable staff for any outstanding overpayments. If there is an outstanding balance, deduct the amount from the employee's final pay. If the final pay does not cover the outstanding amount, notify your agency's account receivable staff.</p>	<p>See OAM Chapter 35 & 45.50.00.PO/PR, ORS 292.170, ORS 293.231, Bargaining Agreements</p>

Action	More
<p>11. Review your entries on the P370 Calculation of Current Pay-off screen. This screen shows the entries you have made since the last final payroll run.</p> <ul style="list-style-type: none"> ▪ Make sure that the remaining deductions do not create a net pay negative ▪ Identify the GROSS amount. 	
<pre> P370 OR##### ,##### ,053110,050710,0 CALCULATION OF CURRENT PAYOFF 370 LASTNAME, FIRSTNAME BEN PKG/PAY TYPE = CO/ DATE = 20100531 INCOME TYPE RATE UNITS AMOUNT TAX /RET AMOUNT DEDUCTIONS AMOUNT TOTAL-R T 5187.00 96.00 2964.00 FIT 878.67 DONN SEIU 50.39 AVAC PAY T 29.93 73.26 2192.67 SIT 383.00 PKNN444 PARK 65.00 SSEC 315.69 TDNN SEIU 2.75 MEDR 73.83 WBF 1.34 ERETS 106.23 SRETS 309.40 GROSS 5156.67 TX/RT 1652.53 DED 118.14 NET/ACH 3386.00 / .00 CALC YTD? N </pre>	<p>See the OSPA Reference Manual, Screen Descriptions, P370</p>
<p>12. If the employee had health or dental insurance for a domestic partner and/or the partner's eligible children and worked ≥80 hours in the last month, see Notes, PEBB Benefits, Domestic Partner Insurance below.</p>	
<p>13. Make two one-time entries (ADJ TYP = A) on the P050 Gross Pay Adjustments on File screen:</p> <ul style="list-style-type: none"> ▪ PAY TYPE = RGD with a negative amount ▪ PAY TYPE = DEC with a positive amount ▪ AMOUNT = GROSS WAGES from the P370 + (DPT + DPS – DPN from the P050 screen, if applicable) 	<p>See Notes, PEBB Benefits, Domestic Partners and Taxes below.</p>
<p>P050 Entry <i>without</i> Domestic Partner Insurance</p> <pre> P050 OR##### ,##### ,1,053110 GROSS PAY ADJUSTMENTS ON FILE LASTNAME, FIRSTNAME GP93 TRANSACTION COMPLETE PAY STRT STOP ADJ DAYS TRAN TYP DATE DATE TYP RATE UNITS AMOUNT WRKD DATE ERROR MSG ? DEC 053110 053110 A .00 .00 5156.67 050710 DECEASED PAY COMMENT DECEASED ? RGD 053110 053110 A .00 .00 5156.67- 050710 (RG)DECEASE COMMENT DECEASED ? VAP 053110 053110 A 29.93 73.26 2192.67 050710 VAC PAYOFF COMMENT DECEASED </pre>	

Action	More
<p>P370 Screen without Domestic Partner Insurance</p> <pre> P370 OR##### ,##### ,053110,050710,O CALCULATION OF CURRENT PAYOFF 370 LASTNAME, FIRSTNAME 5900-PEBB GPA AND NO HEALTH INS BEN PKG/PAY TYPE = CO/ DATE = 20100531 INCOME TYPE RATE UNITS AMOUNT TAX /RET AMOUNT DEDUCTIONS AMOUNT TOTAL-R T 5187.00 96.00 2964.00 SSEC 315.69 DONN SEIU 50.39 ADECEASE R 5156.67 MEDR 73.83 PKNN444 PARK 65.00 A(RG)DEC T 5156.67- WBF 1.34 TDNN SEIU 2.75 AVAC PAY T 29.93 73.26 2192.67 ERETS 106.23 SRETS 309.40 GROSS 5156.67 TX/RT 390.86 DED 118.14 NET/ACH 4647.67 / .00 CALC YTD? N </pre>	<p>With the RGD and DEC entries, OSPA removed the state and federal income tax withholding</p>
<p>P050 Entry with Domestic Partner Insurance and Surcharge</p> <pre> P050 OR##### ,##### ,1,123111 GROSS PAY ADJUSTMENTS ON FILE LASTNAME, FIRSTNAME GP93 TRANSACTION COMPLETE PAY STRT STOP ADJ TYP DATE DATE TYP RATE UNITS AMOUNT DAYS TRAN ? CTP 123111 123111 A 18.95 53.63 1016.29 WRKD DATE ERROR MSG COMP PAYOFF COMMENT CT PAYOFF ? DEC 123111 123111 A .00 .00 6539.76 122711 DECEASED PAY COMMENT DEC 1230 ? RGD 123111 123111 A .00 .00 6539.76- 122711 (RG)DECEASE COMMENT DEC 1230 ? VAP 123111 123111 A 18.95 91.25 1729.19 122711 VAC PAYOFF COMMENT VA PAYOFF ? DPS 123111 999999 .00 .00 15.00 122711 DP SCHG BEN COMMENT HESC 802 ? DPT 123111 999999 .00 .00 644.55 121311 DP TAX BENE COMMENT 2012 DPT </pre>	<p>The RGD and DEC entries include the employee's gross income + the DPT and DPS.</p>

Action	More
<p>P370 with Domestic Partner Insurance</p> <pre> P370 OR#####,#####,123111,123111,O CALCULATION OF CURRENT PAYOFF 370 LASTNAME, FIRSTNAME 5200-DOM PARTNER HOURS ER AMT= 9999.99 HRS/FT 176.00 /176.00 INCOME TYPE RATE UNITS AMOUNT TAX /RET AMOUNT DEDUCTIONS AMOUNT TOTAL-R T 3284.00 168.00 3134.73 SSEC 270.05 ADNN050 EMP/ 1.70 FURLOUG N 8.00 MEDR 93.24 AHNN001 LONG 15.66- COMP TM N 12.00 WBF 2.10 DONN SEIU 53.29 ACOMP PA T 18.95 53.63 1016.29 ERETG 252.35 HESC802 HEM 35.00 ADECEASE R 6539.76 SRETG 188.08 LTNN001 DEP 1.29 A(RG)DEC T 6539.76- OTNN804 ODS 5.57 AVAC PAY T 18.95 91.25 1729.19 SLNN001 BASI .05 ADP SCHG O 15.00 STNN001 SHOR 18.39- ADP TAX O 644.55 SWNN804 PSWP 66.88 TDNN111 SEIU 2.75 UBNNAAA EMP 1.48 VSNN804 VSP .96 XDNN555 DIRE 5379.90 GROSS 5880.21 TX/RT 365.39 DED 5514.82 NET/ACH .00 / 5379.90 CALC YTD? N </pre>	<p>The P050 DPT and DPS entries to record imputed value for domestic partner insurance and surcharge are non-cash transactions. They do not change the employee's gross income.</p>
<p>14. If you do not have a TIN for at least one of the payees, STOP. See Calculate Back-up Withholding below.</p>	
<p>15. For a manual check through OSPA:</p> <ul style="list-style-type: none"> ▪ Make a screen print of the final P370 screen ▪ Write each payee's legal name, TIN, mailing address and amount on the screen print ▪ Have the authorized person in your agency sign the P370 screen print to request the check(s) ▪ Fax or hand-deliver the P370 screen print to OSPS by noon the day you want the check(s) ▪ For Salem offices, pick-up the check(s) after 3:00 pm 	<p>See Recommended Practice, Determine the Eligible Payee(s) above.</p> <p>If you do not have a TIN for a payee, see Calculating Back-up Withholding below.</p> <p>See the OSPA Reference Manual, Recommended Practices, Manual Checks.</p>
<p>16. After the final payment has been made:</p> <ul style="list-style-type: none"> ▪ If the employee declined PEBB benefits, delete the entries on the P010 Withholding Data / Locator Data screen ▪ If the employee used On-line Daily Time: <ul style="list-style-type: none"> ○ Wait until the employee's supervisor has approved the time for the final month ○ Undaily the employee on the P006 screen and delete the employee from the PSEC Time Entry Security Table screen 	<p>See the OSPA Reference Manual, Handbooks, PEBB Benefits and Screen Descriptions, P006 and PSEC.</p>

Action	More
<p>17. The PERS Centralized Services Team, DAS HRSD, transmits an electronic file of employment data to the PERS EDX / jClarety system after run 2 final for each pay period.</p> <ul style="list-style-type: none"> ▪ This means that the PPDB / OSPA file will report the employee's death to PERS in the following month, after run 2 final for the separation month. ▪ The family or executor will work directly with PERS 	<p>See Notes, PERS EDX/jClarety below</p>

CALCULATE BACK-UP WITHHOLDING

If an individual beneficiary or the estate does not supply a TIN, IRC §3406 requires the state to deduct back-up withholding from the payment. Back-up withholding is an IRS procedure to withhold part of the payment to ensure that a taxpayer, who does not have a TIN, still has taxes withheld from his/her income to cover a potential tax liability.

To apply for a TIN:

- EIN for the estate from the IRS, <http://www.irs.gov/>
- SSN for survivors from the Social Security Administration, <http://ssa.gov/pubs/10002.html>

Action	More
<p>1. Either contact OSPS or see the IRS Publication 15 (Circular E) (Index, Backup withholding) for the current back-up withholding rate</p>	
<p>2. Start with the AMOUNT from the RGD and DEC entries on the P050 Gross Pay Adjustments on File screen (see Process the Final Payment above)</p>	
<p>3. You may encounter the following scenarios. You will handle each one differently.</p> <ul style="list-style-type: none"> a. The entire amount will go to the spouse, a dependent child or the estate and you do not have a TIN: <ul style="list-style-type: none"> ○ Multiply the DEC amount by the back-up withholding rate ○ Subtract this amount from the NET/ACH on the P370 screen. The remainder is the amount of the check for the spouse, child or estate ○ Request a check to DAS for the back-up withholding amount 	<p>NOTE: if the net amount will not cover the back-up withholding, contact the OSPS Accountant, 503-373-0259.</p>

Action	More
<p>P370 Screen without Domestic Partner Insurance</p> <pre> P370 OR#####,#####,053110,050710,O CALCULATION OF CURRENT PAYOFF 370 LASTNAME, FIRSTNAME 5900-PEBB GPA AND NO HEALTH INS BEN PKG/PAY TYPE = CO/ DATE = 20100531 INCOME TYPE RATE UNITS AMOUNT TAX /RET AMOUNT DEDUCTIONS AMOUNT TOTAL-R T 5187.00 96.00 2964.00 SSEC 315.69 DONN SEIU 50.39 ADECEASE R 5156.67 MEDR 73.83 PKNN444 PARK 65.00 A(RG)DEC T 5156.67- WBF 1.34 TDNN SEIU 2.75 AVAC PAY T 29.93 73.26 2192.67 ERETS 106.23 SRETS 309.40 GROSS 5156.67 TX/RT 390.86 DED 118.14 NET/ACH 4647.67 / .00 CALC YTD? N </pre>	<p>Gross = 5156.67</p> <p>24% * 5156.67 = 1443.87 back-up withholding</p> <p>4647.67 – 1443.87 = 3203.80 available for spouse, partner, or dependent child(ren)</p>
<p>P370 with Domestic Partner Insurance and Surcharge</p> <pre> P370 OR#####,#####,123111,123111,O CALCULATION OF CURRENT PAYOFF 370 LASTNAME, FIRSTNAME 5200-DOM PARTNER HOURS ER AMT= 9999.99 HRS/FT 176.00 /176.00 INCOME TYPE RATE UNITS AMOUNT TAX /RET AMOUNT DEDUCTIONS AMOUNT TOTAL-R T 3284.00 168.00 3134.73 SSEC 270.05 ADNN050 EMP/ 1.70 FURLOUG N 8.00 MEDR 93.24 AHNN001 LONG 15.66- COMP TM N 12.00 WBF 2.10 DONN SEIU 53.29 ACOMP PA T 18.95 53.63 1016.29 ERETG 252.35 HESC802 HEM 35.00 ADECEASE R 6539.76 SRETG 188.08 LTNN001 DEP 1.29 A(RG)DEC T 6539.76- OTNN804 ODS 5.57 AVAC PAY T 18.95 91.25 1729.19 SLNN001 BASI .05 ADP SCHG O 15.00 STNN001 SHOR 18.39- ADP TAX O 644.55 SWNN804 PSWP 66.88 TDNN111 SEIU 2.75 UBNNAAA EMP 1.48 VSNN804 VSP .96 XDNN555 DIRE 5379.90 GROSS 5880.21 TX/RT 365.39 DED 5514.82 NET/ACH .00 / 5379.90 CALC YTD? N </pre>	<p>Gross + DPT + DPS = 6539.76</p> <p>24% * 6539.76 = 2831.13 back-up withholding</p> <p>5379.90 – 2831.13 = 2548.77 available for same sex partner or dependent child(ren)</p>
<p>b. The spouse or dependent child(ren) will receive \$10,000 and the estate will receive the remainder. You have an SSN for the spouse or child(ren); but, you do not have an EIN for the estate:</p> <ul style="list-style-type: none"> ○ Subtract \$10,000 from the DEC amount on the P050 screen ○ Pay the spouse or dependent child(ren) the full \$10,000 ○ Multiply the remainder by the back-up withholding rate ○ Subtract \$10,000 + the back-up withholding from the NET/ACH on the P370 screen. This is the amount of the check for the estate. ○ Request a check to DAS for the back-up withholding amount 	

Action	More
<p>c. The spouse or dependent child(ren) will receive \$10,000 and the estate will receive the remainder. You do not have an EIN for either:</p> <ul style="list-style-type: none"> o Multiply \$10,000 by the back-up withholding rate o Subtract this amount from the \$10,000 for the spouse or dependent child(ren). The remainder is the amount that you will pay the spouse or child(ren). o Subtract \$10,000 from the DEC amount o Multiply the remainder by the back-up withholding rate o Subtract \$10,000 + the back-up withholding from the NET/ACH on the P370 screen. This is the amount of the check for the estate. o Add the back-up withholding for the \$10,000 and the estate and pay this to DAS 	
<p>4. When you request manual checks, on the screen print of the P370, indicate the amount for back-up withholding and ask to have the check made payable to the Oregon Department of Administrative Services.</p>	<p>See the OSPS Reference Manual, Recommended Practices, Checks, Manual</p>

NOTES

Accrued Leave – For sick leave and vacation leave, you will need to advance the leave hours that will accrue after run 2 for the month of the employee’s death. If the employee passed before run 2 of the prior month, you will also need to advance sick and vacation leave hours for that month.

See the OSPA Reference Manual, Handbooks, Leave Accrual and Reporting.

Leave Accrual Service Code (LASC) Change – LARS uses the LASC to calculate the number of hours of accrued vacation leave the employee will receive in a given month. An automated program in the PPDB establishes the LASC and interfaces it to OSPA with Personnel Action Code 232 Service Related Data Change or 237 Compensation Related Data Change. The PPDB provides a monthly audit report that lists employees who are eligible for a new LASC. The third working day of the following month, the PPDB Automated Step Increase (ASI) program will automatically update the LASC for the eligible employees. The ASI will create a new job segment for the employee in OSPA. LARS will use the new LASC for accruals after run 2 final for the prior month.

For most benefit packages, the change will be effective on the beginning of the prior month. There are a few benefit packages where the effective date will coincide with the employee’s RECOG SVC DT on the P030 screen, which means some changes will be effective sometime during the month.

When you are manually accruing leave for a deceased employee, you need to use the LASC that is in effect during the applicable month(s). If an employee’s LASC changes during the month, you will prorate the hours worked when each LASC was in effect.

For example:

- An employee's LASC changed from 1 to 2 on the 15th of the month.
- For the employee's benefit package the accrual rate for an LASC of 1 = 8 hours per month. The accrual rate for an LASC of 2 = 10 hours.
- The full-time employee worked 80 hours between the first and 14th of the month and 96 hours between the 15th and 31st.
- The full-time hours for the month for the employee's schedule = 176 hours.
- You would calculate the leave as described in Pro-rating Leave below:

$$8 \text{ hrs / mo} \times \frac{80 \text{ hrs.}}{176} = 3.64 \text{ hrs.}$$

$$10 \text{ hrs / mo} \times \frac{96 \text{ hrs.}}{176} = 5.45 \text{ hrs.}$$

- You would accrue 9.09 hours of vacation leave for the month.

If the employee's LASC changes in the employee's final month of employment, you may not know about the change until leave accruals process after final run 2 for that month. In that case, the employee will be on the E492 Terminated Employees Having Leave Balances Report (see Reports below). In addition, the B470C, B470CM and B470D Leave Accrual – Detail Transaction Register will have the message "SEPARATED EMPLOYEE HAS LEAVE BALANCE." If the employee is not on trial service, the employee may be entitled to a pay-off for the additional vacation leave accrued, up to the maximum amount allowed by policy or collective bargaining agreement. Your agency may have a business practice to write-off small leave amounts.

Pro-rating Leave -- If the employee did not work a full month and is eligible for sick and vacation leave accrual, pro-rate the accrual rate with the following formula:

$$\text{Employee's monthly leave accrual rate} \times \frac{\text{Employee's regular paid hours for mo.}}{\text{F-T Hours for mo for employee's schedule}}$$

Under some bargaining agreements, the employee must work 32 hours in the month to be eligible for accrued leave for that month.

PEBB Benefits – Unless directed to do so by a PEBB staff member, do not delete PEBB benefit entries on the P070 Deductions and Deduction Adjustments screen in OSPA. Instead, an agency staff member will approve the separation in PDB, which will interface the change in benefits to OSPA.

Generally, a non-job share employee must have at least 80 regular paid hours in the month to be eligible for benefits for the following month. When an agency staff member approves the separation in PDB, the application will use the separation date from the PPDB to determine the end date for OSPA benefit deductions.

- If the separation date is in the first nine business days of the month, the employee's benefits will end with the current month.
- If the separation date is beyond the first nine business days of the month and the employee had spouse, domestic partner and/or dependent children coverage, the survivors' medical, dental and vision coverage will end after the next month. Because OSPA will not pay

premiums if any of the core PEBB insurances are missing, PDB will also continue the agency paid (\$5,000) basic life insurance for the employee.

At the end of the week after the interface of the separation to PDB, the application will send a file to PEBB's third-party administrator (TPA). When you approve the separation in PDB, you can request that the TPA send a COBRA notice to the employee's family, if they have medical, dental, or vision coverage under the employee's PEBB benefits. This will give them the opportunity to continue coverage by self-paying the premiums to the third-party administrator.

See the OSPA Reference Manual, Handbooks, PEBB Benefits.

Domestic Partner Insurance – Under federal and state tax law, health insurance benefits provided by an employer to an employee and the employee's spouse or eligible dependents are not taxable to the employee. The employee may submit a PEBB Domestic Partner Certification for Dependent Tax Status to claim the employee's domestic partner and/or the partner's children as tax dependent(s). If the employee does not, the market or imputed value of the benefit for the domestic partner and/or the DP's eligible children is taxable income to the employee.

Agency payroll makes a DPT (Domestic Partner Taxable) entry on the P050 Gross Pay Adjustments on File screen when an employee has medical and/or dental insurance coverage for a domestic partner and/or the DP's children and they are not tax dependents. This makes the imputed value of the premium taxable income and increases the employee's federal and state income, social security and Medicare taxes.

If a job share or part-time employee has out-of-pocket costs for the domestic partner insurance, the agency may make a negative DPN (Domestic Partner non-Taxable) entry on the P050 screen. This reduces the employee's taxable income by the out-of-pocket costs.

An employee may also have surcharge(s) attributed to a domestic partner for one of the following reasons:

- Partner did not sign-up for the HEM at open enrollment, did not complete the health assessment by the deadline or did not complete the e-learning activities by the deadline
- The domestic partner uses tobacco
- The employee has insurance coverage for a partner who is eligible for insurance coverage under another employer plan

Because the surcharges are pre-tax, agency payroll enters the imputed value for the value attributed to the partner with a DPS pay code on the P050 screen.

When a deceased employee has medical, dental or vision insurance for a domestic partner and/or the partner's dependent children and has not claimed them as tax dependents, delete the DPT, DPS and DPN, if present, on the P050 screen:

- If the employee has <80 hours of regular paid time in the final month, delete them on the P050 screen for the final pay.
- If the employee has ≥80 hours of regular paid time in the final month, delete them in the following pay period.

If the domestic partner insurance coverage will extend to the next month, the state will pay the premium for the final month after the date of the employee's death. This makes the imputed value of the insurance premium and any surcharges reportable on the Form 1099-MISC for

the final payment. You will need to make additional calculations for the final P050 RGD / DEC entries (see Recommended Practice, Process the Final Pay above):

- When you make the RGD and DEC entries on the P050 screen, add the imputed value from the on-going DPT and DPS entries on the P050 screen to the GROSS PAY amount on the P370 screen.
- If the employee also has a DPN entry on the P050 screen, subtract that amount.
- Use this total for the RGD and DEC AMOUNT on the P050 screen.
- OSPA will display the DPT, DPS and DPN, if present, entries on the Payroll Registers and P370 screen. OSPA will include the DPT, DPS and DPN amounts in the social security and Medicare tax calculations. It will not calculate state or federal income tax withholding for the final payment.
- If you need to calculate back-up withholding, include the DPT, DPS and DPN AMOUNTs in the gross wages. See Recommended Practice, Calculate Back-up Withholding above.
- The imputed value will be reported as part of the amount in Box 3, Other Income, on the 1099-MISC.

Opt Out -- OAR 101-020-0015 allows an employee who has medical and dental coverage under another employer sponsored group medical plan to opt out of PEBB medical or medical and dental insurance. The employee who opts out may receive cash in lieu of coverage, if made available by the PEBB Board for that plan year. To give the employee the cash, agency payroll enters an on-going transaction on the P050 Gross Pay Adjustments on File screen with pay type IR.

When a deceased employee opted out of medical insurance, you will delete the IR entry on the P050 screen:

- If the employee has <80 hours of regular paid time in the final month, delete the IR on the P050 screen for the final pay.
- If the employee has ≥80 hours of regular paid time in the final month:
 - ✓ If the employee does not have vision or dental insurance for a spouse, domestic partner or children, delete the IR for the final pay period.
 - ✓ If the employee has vision or dental insurance for a spouse, domestic partner or children, delete the IR for the next pay period.

PERS EDX / jClarety -- Within three working days after payday for final run 2, the DAS, HRSD PERS Centralized Services Team sends an electronic file to PERS jClarety via EDX.

Data from OSPA includes the following:

- Contribution amounts
- Hours worked
- Sick leave ending balance and sick leave in the clearing account for all state employees

Demographic (employee) data comes from the PPDB. The separation Personnel Action (PA) codes trigger inclusion in the file. Deceased employees have a separate code.

See the OSPA Reference Manual, Handbooks, Public Employee Retirement System.

Taxes – If paid in the year of the employee’s death, the employee’s final wages are subject to social security and Medicare taxes; they are not subject to federal and state income taxes for the employee. If you make the final payment in a subsequent tax year, they are not subject to social security, Medicare or income taxes for the employee.

When you are making the payment in the year of the employee’s death and after you have made all the required adjustments to the employee’s pay, enter two transactions on the P050 screen – a negative RGD transaction and a positive DEC transaction – for the employee’s gross wages included in the final payment. This will make the income subject to social security and Medicare taxes only. See Recommended Practice, Process Final Pay above.

If the employee had health or dental insurance for a domestic partner and/or the partner’s eligible children and worked ≥80 hours the final month, you may need to add the imputed value of the premium to the gross wages. See Notes, PEBB Benefits, Domestic Partner Insurance above.

Form 1099-Misc -- If the gross wages for the final payment are for ≥\$600 (including the imputed value for domestic partner insurance) for a given recipient or there is back-up withholding, OSPS will issue the payee(s) a Form 1099-MISC after the end of the year. The gross wages will be included in Box 3, Other Income; and any back-up withholding will be included in Box 4, Federal Tax.

Form W-2 -- In January after the employee’s death, OSPA will produce a W-2 for the employee’s wages earned during that year. If you pay the final wages in the year of the employee’s death through OSPA, the employee’s final wages will be included on the W-2:

- Final wages will be included in the amount in Box 3, Social Security Wages and Box 5, Medicare Wages and Tips. They will not be included in Box 1, Wages, Tips and Other Compensation.
- Taxes withheld will be included in the total in Box 4, Social Security Tax Withheld and Box 6, Medicare Tax Withheld.

Make sure you have an appropriate mailing address. The W-2 will print with the employee’s current address in the PPDB.

Payment in Subsequent Tax Year -- If the employee passed in the prior tax year, request the payment be made as an account payable through R*STARS. OSPA will not produce a W-2 for the year of the payment. Payments made in a subsequent year are not subject to social security or Medicare taxes. If required, R*STARS will produce the Form 1099-MISC for the current tax year as part of the normal 1099-MISC process. See the SFMS Desk Manual, Paym.2 Issuing Survivor/Estate Payments on Behalf of Deceased Employees for additional information.

EXCEPTIONS

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TROUBLESHOOTING

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SUPPORTING DOCUMENTATION / FORMS

When processing the pay for a deceased employee, agency HR or payroll may want to collect all or some of the following documents:

- Certified copy of the employee's death certificate
- IRS Form W-9 Request for Taxpayer Identification Number and Certification for each payee, including the estate
- Documentation of the appointment for a guardian, custodian or conservator of a minor child, such as:
 - Court order appointing the guardian (ORS 125.305) or conservator (ORS 125.400)
 - Court issued letters of guardianship (ORS 125.310) or conservatorship (ORS 125.405)
- Documentation for the estate, such as:
 - Letters of Testamentary or Letters of Administration from the probate court appointing the personal representative for an estate in probate (ORS 113.035)
 - Sworn affidavit to the agency from one of the survivors of the deceased for an estate that will not be in probate (ORS 293.495)
 - Probate Court seal on the Affidavit Claiming Successor for Small Estate (ORS 114.525)

RESOURCES

- IRS Publications, <http://www.irs.gov/formspubs/index.html>
 - Internal Revenue Code (IRC) §691, §3406, §6401, §6109
 - Revenue Ruling 71-525
 - Revenue Ruling 86-109
 - Form 1099-MISC Instructions
 - General Instructions for Forms 1099, 1098, 5498 and W2-G
 - Publication 15 (Circular E), Employer's Tax Guide
 - Publication 501, Exemptions, Standard Deduction and Filing Information
 - Publication 505, Tax Withholding and Estimated Tax
 - Publication 559, Survivors, Executors, and Administrators
- Oregon Revised Statutes (ORS), https://www.oregonlegislature.gov/bills_laws/Pages/ORS.aspx
 - 106.300 to .340 Oregon Family Fairness Act
 - Chapter 113 Initiation of Estate Proceedings
 - Chapter 114 Administration of Estates Generally
 - Chapter 125 Protective Proceedings
 - 292.110 Procedure where employee dies having credit in account [savings bonds]
 - 292.170 Procedure when employee leaves employment after overpayment
 - 293.490 to 293.495 Death of Payee
 - 293.231 Collection of liquidated and delinquent accounts by private collection agency or Department of Revenue.....
 - 652.190, Payment of wages to surviving spouse or dependent children

- HR State Policies, Chapter 60 Leave, <http://oregon.gov/DAS/Pages/policieshr.aspx> Collective Bargaining Agreements, <http://oregon.gov/DAS/HR/Pages/LRU.aspx>
- Oregon Accounting Manual, <http://oregon.gov/DAS/Financial/Acctng/Pages/OAM.aspx>
 - 10.40.00 PO & PR, Expenditures
 - Chapter 35 A/R Management
 - 45.50.00 PO & PR, Collection of Overpayment
 - 50.50.00 PO & PR, 1099 MISC Reporting
- SFMS Desk Manual, PAYM.2, Issuing Survivor / Estate Payments on Behalf of Deceased Employees, <http://oregon.gov/DAS/Financial/AcctgSys/Documents/paym2.pdf>
- To apply for a TIN:
 - EIN for the estate from the IRS, <http://www.irs.gov/>
 - SSN for survivors from the Social Security Administration, <http://ssa.gov/pubs/10002.html>
- PEBB, <http://www.oregon.gov/OHA/PEBB/Pages/index.aspx>
- PERS, <http://www.oregon.gov/PERS/Pages/index.aspx>

REPORTS

The following reports provide information for deceased employees. See the OSPA Reference Manual, Report Descriptions for additional information.

ANLDEC Deceased Employee Report – Produced after November and December run 1 final, the report lists employees who have passed during the calendar year. The OSPS Accountant uses it to prepare forms 1099-MISC. Review the report for accuracy.

B470C, B470D, B470S Leave Accrual – Detail Transaction Register – LARS produces the Leave Accrual Detail Transaction Registers after each leave accrual. The registers summarize each employee's leave activity and balances for the pay period. The B470C, B470D and B470S registers include COMMENTS that will alert you to needed adjustments and adjustments that occurred during leave accrual.

COMMENTS that specifically apply to deceased employees include:

- BASIS = - indicates the accrual rate LARS used to accrue SL and VA. If the employee has a small remaining balance, this may show the reason for the difference.
- DROPPED – If the employee has a SEPARATION DT on the P030 screen that is prior to the leave accrual date, LARS may drop (delete) the leave balance for some non-accrued leaves and LOST accrued leave
- NEGATIVE BALANCE – A negative balance for CT or VA may indicate that you overpaid the employee
- SEPARATED EMPLOYEE WITH LEAVE BALANCE – This message will display if the employee has a SEPARATION DT on the P030 screen that is prior to the leave accrual date and the employee still has a balance for ACCRUAL BAL, REMAIN ADV or LOST on the P430 screen

E260-200 Net Pay Negative Report - The report lists employees with net pay negatives that occurred in a prior month and did not clear in run 1 of the current pay period. OSPS uses the report to

ensure agencies reimburse the Joint Payroll Account (JPA) timely. It is one tool to identify if a deceased employee had an outstanding overpayment.

XREF24 P&F Extra Retirement Units for Terminated Employees – Produced each quarter, the report lists the dollar amounts withheld from terminated employees' wages to purchase extra P & F (police and fire) retirement units. See the OSPA Reference Manual, Handbooks, Public Employees Retirement System.

XREF17 Regular Contributions for Terminated Employees – Produced each quarter, the report includes the contributions made to PERS for employees who have left the agency. See the OSPA Reference Manual, Handbooks, Public Employees Retirement System.

E492 Terminated Employees Having Leave Balances Report – The report is available after the monthly leave accrual. It includes terminated employees who have balances in ACCRUAL BAL, REMAIN ADV or TIME LOST on the P430 Leave Data screen for CT, ML, PB, PR, SL or VA after their separation dates on the P030 screen. Some of the reasons that there may be remaining leave balances on the report include:

- LARS rounded the SL and VA accrual differently
- The employee's LASC changed during the final month
- You paid off vacation leave to the maximum allowed and did not zero out the remaining amount on the P435 screen
- You have not yet adjusted the other leave balances to zero

The employee may be entitled to a pay-off for VA leave or comp time. Your agency may have a policy to write-off small fractions of leave.

After the employee's separation date on the P030 screen, you will not be able to make an entry on the P050 screen to pay-off a leave balance. You can request that OSPS make the entry:

- Bring up the employee's record on the P050 screen. (As long as the employee has a record on the P032 Job Status Display screen, OSPA will display the employee's ID and name on the screen.)
- Enter the pay code, gross pay amount and work charge code(s), if needed
- OSPA will not allow you to save it. With the data and error message displaying, make a screen print
- Write in the reason for the adjustment
- Sign the screen print
- Send it to OSPS for entry

ATTACHMENTS

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REVISION HISTORY

Date	Rev. No.	Modification
02/20/07	1.0	Original
03/28/07	1.1	Delete P060 updates
04/20/07	1.2	Corrections for back-up withholding
05/22/07	1.3	Clarification of back-up withholding, 1099 process and domestic partner insurance
08/01/07	1.4	Clarification of leave accrual
03/24/08	1.5	Clarification of leave pay-off, timing, IR, amounts to include in withholding calculation
06/03/08	1.6	New Entry Guide, Leave, Advance
08/12/10	2.0	Back-up withholding, payees, timing of payment
11/29/10	2.1	WR#3722, PEBB 2011; WR#3700, end payroll deductions for paper series EE savings bonds
12/27/11	2.2	WR#3859, PEBB 2012; PERS reporting process
05/13/16	2.3	Updated web links