

**State Controller's Office
Personnel and Payroll Services Division**



DECEASED EMPLOYEE AND BENEFICIARY/DESIGNEE GUIDE

For Departmental Human Resources and Accounting Offices

Statewide Tax Support, W-2 Program

Table of Contents

GENERAL INFORMATION.....	3
OVERVIEW OF REQUIREMENTS.....	3
REFERENCES	3
COMPLETE REPORTING DOCUMENTS.....	3
PERMANENT EXEMPTION FROM WITHHOLDING	3
PAR/PPT/SPAR DOCUMENTATION	4
DIRECT DEPOSIT CANCELLATION	4
OBTAIN FORM W-9, REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION	4
PPSD21, DECEASED EMPLOYEE DATA FORM.....	4
SUBMIT COMPLETED PPSD21 FORM.....	5
CORRECT/CANCEL SUBMITTED PPSD21 FORM.....	5
FORMS W-2, W-2C AND 1099-MISC	6
PAY WARRANTS TO DESIGNEES (BENEFICIARY).....	6
CONTACTS	6

GENERAL INFORMATION

This guide supports the departmental human resources office in processing pay for a deceased employee. Wages paid on behalf of a deceased employee have unique reporting and withholding requirements. The State Controller's Office must report these payments as income in the name of the recipient. These payments are reported as federal income but are not subject to federal or state income tax withholding at the time the pay is issued. **Under no circumstances should the recipient be advised that payments are not taxable**

OVERVIEW OF REQUIREMENTS

This guide is to ensure accuracy of the Form W-2, Wage and Tax Statement for the deceased employee and the income reporting for the beneficiary/designee on the 1099-MISC.

REFERENCES

- [State Controller's Office Letters](#)
- [Personnel Action Manual \(PAM\)](#)
- [Payroll Procedures Manual \(PPM\)](#)
- [Statewide Tax Support Program](#)
- [PPSD21, Deceased Employee Data Form](#)
- [State Administrative Manual \(SAM\)](#)

COMPLETE REPORTING DOCUMENTS

The following forms must be completed for a deceased employee:

- [STD. 680, Personnel Action Request](#) (PAR) or [STD. 456, Personnel/Payroll Transaction](#) (PPT)
- [STD. 686, Employee Action Request](#) (EAR) or [STD. 457, CSU Student Payroll Action Request](#) (SPAR)
- [STD. 699, Direct Deposit Enrollment Authorization](#)
- Review the [STD. 243, Designation of Person\(s\) Authorized to Receive Warrants](#) or STD. 457, CSU Student Payroll Action Request on file for the deceased employee for a person designated to receive final pay.
- [PPSD21, Deceased Employee Data Form](#).

PERMANENT EXEMPTION FROM WITHHOLDING

The following process must be followed to prevent erroneous tax withholding and reporting for wages issued to a deceased employee.

- **Process** an **E03**, Withholding Allowance Change, EAR transaction
- **Change** withholding status to **NONTAXABLE WAGES**
- **Refer** to [PAM, Section 10.16.1](#) for keying instructions

This will post a permanent exemption (PERM) status on the Employment History database.

CIVIL SERVICE: See [PAM, Section 5.102](#)

CSU: See Personnel Information Management System (PIMS) Manual, Section 2.32

NOTE: Any erroneous tax withholdings will be refunded by the State Controller's Office on a monthly basis. Please refer to [PPM, Section I 909](#) for more information.

PAR/PPT/SPAR DOCUMENTATION

Complete the appropriate separation transaction.

- **Process** an **S95**, Separation due to Death (or S70, S71 if applicable)

CIVIL SERVICE: See [PAM, Sections 3.258-3.259](#) for PAR completion.

CSU: See PIMS Manual, Section 10.21 for PPT completion.

DIRECT DEPOSIT CANCELLATION

Remove the employee from the Direct Deposit Program, if applicable. See [PPM, Section J 012](#).

OBTAIN FORM W-9, REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION

Upon review of the STD. 243, Designation of Person(s) Authorized to Receive Warrants or STD. 457, CSU Student Payroll Action Request on file for the deceased employee for a person designated to receive final pay, be sure to **obtain the Form W-9**. This information is **required** to issue the 1099-MISC to the beneficiary/designee.

Under no circumstances should the recipient be advised that payments are not taxable.

NOTE: **DO NOT** release any payments to a beneficiary/designee who does not provide a W-9 or is under 18 years of age.

PPSD21, DECEASED EMPLOYEE DATA FORM

Upon confirmation that the payments were received by the beneficiary/designee, submit the PPSD21 form to SCO, PPSD W-2. This form updates the deceased employee's Form W-2 by removing the wages provided to the beneficiary/designee and to issue a 1099-MISC.

A. Deceased Information – Must be completed

B. Beneficiary/Designee Information Only

All fields **must be completed** per the W-9 Form.

If no W-9 form is on file for the beneficiary/designee, **do not** submit PPSD21 Form to PPSD and **DO NOT** release funds until the W-9 form has been received.

- Social Security Number or Taxpayer Identification – Enter what is **shown on the W-9**. If the beneficiary/designee is an estate, report the Taxpayer Identification Number (TIN).

Exception:

- If the designee is not a U.S. Citizen, no SSN/TIN is required as no wage reporting or withholding is required.

- If the designee on file is also deceased, the applicable TIN may be in the name of the deceased employee's estate.

C. Warrant Information

List only payment(s) issued **after the date of death** (S95 transaction) and **released** to the beneficiary/designee. **Do not include** tax (Federal, State, Social Security, Medicare or State Disability Insurance) refund warrants issued by the State Controller's Office.

Separate PPSD21 forms are required for each **tax year**.

- **Issue Date** – Payment Issue Date
- **Warrant Taxable Gross Amount** – Do not list the net of the warrant or the gross.
 - **Payment History** – Taxable gross is the amount listed under FEDERAL TAX as the GROSS on the Payment Detail Screen

<<-----FEDERAL TAX----->>						
GROSS	W/H	FD	EX	HW	MISC	GROSS
3137.42	41.49	H		N		.00
OTH INCM	DPNDNTS	DEDUCTS		SD		.00
.00	5000.00			.00	EID	

- **TAXI** – Taxable gross is listed in the column titled “FED TAX GROSS” on the Summary Screen (PF2)

FED TAX	YTD
GROSS	FILE
3137.42	25 YTD

- **Warrant Number** – List each warrant number separately. (Combine summarized warrants)
- **Total Taxable Gross Amount** – Enter the total taxable gross amount to be reported on the 1099-MISC
- **State Code** –
 - CA – California
 - NY – New York
 - IL – Illinois
 - Blank – All others
- **Authorized Signature** – All fields must be completed

NOTE: CSU – Student Assistants - please provide a copy of the Death Certificate or Obituary Notice with form PPSD21.

SUBMIT COMPLETED PPSD21 FORM

Documents should be **uploaded** through **ConnectHR**, select **W-2 Unit – PPSD21**.

CORRECT/CANCEL SUBMITTED PPSD21 FORM

Submit a copy of the original form with “**CANCEL**” in red at the top of the document.

Highlight the entries to be corrected/canceled

Complete and attach a new document with “**CORRECTION**” in red at the top of the document.

All documents **must** have an authorized signature.

Upload documents through **ConnectHR**, select **W-2 Unit – PPSD21**

FORMS W-2, W-2C AND 1099-MISC

SCO will prepare and release annually by January 31:

- Forms W-2 for deceased employees indicating wages issued prior to death, social security and/or Medicare and State Disability Insurance wages/taxes for calendar year of death.
- Form 1099-MISC indicating payments released to the beneficiary/designee.

Corrected Form W-2s and 1099-MISC will be generated in the month following when the PPSD21 was processed for prior year reporting.

PAY WARRANTS TO DESIGNEES (BENEFICIARY)

If a designee is unable to cash the SCO warrant, please refer to the [SAM, Section 8477.2](#) for information on how to deposit a warrant issued to a deceased employee back into the Treasury and issue a revolving fund check to the designated person.

NOTE: **Do not** create a Supplier record for the beneficiary in FI\$Cal Supplier Management File (SMF).

CONTACTS

SCO, PPSD W-2 Program PPSDW2MiscDed@sco.ca.gov

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