Sonoma County Office of Education

Escape – Deceased Employee Final Payment

November 2022
Deceased Employee: Final Pay in Escape

Step 1: Employee Management

Step 2: Final Payment Adjustments in Adjust Payroll

Step 3: Create a New Vendor to the Estate

Step 4: Department Record

Step 5: Create a Vendor Requisition

Step 6: AP Payment
Deceased Employee: Final Pay in Escape

It is necessary for Districts to use the correct process for paying and reporting compensation for deceased employees. There are different processes when making payment within the same calendar year versus the next calendar year of death.

Guidelines can be found in IRS Publication 15 and in the Instructions for Form W2. A 1099 Form will be issued to the Estate of the employee for the final compensation.

Contact Christy Arend in SCOE Business Services (carend@scoe.org or 524-2656) when you have a deceased employee.

![Taxation of Payments after Death Diagram](image-url)
New Deceased Employee Checklist

Step 1: The employee record will need to be updated and final compensation calculated. It is recommended to review and end tabs *left to right* in Employee Management

*Employee Management Tabs:*

- **Pay Cycle** – should be ended the last day of the pay period
- **Taxes** – No income taxes should be withheld the month of death. Change the number of Federal and State tax exemptions to “99” so no income taxes are withheld
- **Retirement** – should be ended the last day of the month of death
- **ACH** – should be ended prior to pay date
- **Deductions** – should be ended in the current period, with the exception of Union Dues. Union dues should not be deducted in the month of death. (End union dues prior month)
- **Assignment** – must be ended effective the date of death
- **Add-ons** – Review add-ons to determine if any stipends are owed
- **Leaves** – Enter final leaves taken. Make certain the employee has enough sick leave to be in paid status, or else Payroll should enter a dock. Payroll should adjust leave balance to zero.
- **Benefit Providers** – Determine the appropriate end date for Benefit Providers. Typically, this is the last day of the pay period which the employee passed away. Refund any additional amounts taken from the start of the fiscal year to the date of death that would have covered any future months of coverage (i.e. July and August premiums).

Step 2: Final Payment Adjustments in Adjust Payroll

- **When final payment is made in the SAME year of death:**
  - Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
  - Zero out Gross Pay by using the Regular Addon to reverse compensation
  - Add Z-MEDI and Z-OASDI to report Gross earnings and deductions for Medicare and OASDI if they apply *(Christy Arend and Jing Liu need to be notified anytime these Z-addons are used)*
  - Enter REPAY deduction to zero out net pay

- **When final payment is made AFTER the year of death:**
  - Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
  - Zero out Gross Pay by using the Regular Addon to reverse compensation
  - **Do not** withhold Social Security and Medicare taxes
  - REPAY deduction code needed to zero out DNP if applicable
Step 3: Create a New vendor to the Estate

- Have the family complete a W9 in order to obtain the TIN or SSN for the beneficiary or estate
  - i. It is best to have a Designation of Beneficiary for Pay Warrant form on file for all employees as provided by Government Code 53245:
    - ii. In the event of death, the employee may designate a beneficiary to receive all warrants or checks that will be payable to the employee
- Flag the vendor “Yes” for 1099
- Set the Salary **Object Account Component** record to report in Box 3 of 1099

Step 4: Update Department Record under **Finance – Setup – Department – Departments**

- Make sure **Account Object Code Filter** is set up to allow salary accounts (1XXX and 2XXX object codes)
- When payment is made, change settings back to exclude these objects

Step 5: Create a Vendor Requisition

- Create vendor requisition with the Direct Payment Type to issue the warrant to the new vendor “Estate of __________ (Employee name)”
- Process payment using object code 9213 for net pay and object 1XXX(certificated) or 2XXX(classified) for gross pay
- The warrant should be issued no later than the date of the next payroll

**NOTE:** It is recommended to process the final payment through AP rather than out of the district’s revolving account. However, should the district decide to pay the final payment outside of Escape, using the district’s revolving account, you will need to manually enter the vendor and payment information for 1099 reporting at calendar year end. Put a tickler in your calendar year end 1099 file as a reminder.

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**When final payment is made in the SAME Calendar Year of death:**
• The AP warrant should be issued no later than the date of the next payroll
• Include a letter with the warrant explaining the pay and that they will receive both a W2 and a 1099
• Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
• Zero out Gross Pay by using the Regular Addon to reverse compensation
• Add Z-MEDI and Z-OASDI to report Gross earnings and deductions for Medicare and OASDI if they apply (Christy Arend and Jing Liu need to be notified anytime Z-addons are used)
• Enter REPAY deduction to zero out net pay
• When processing AP payment, separate Gross and Net pay and flag the vendor record
  1099 – 3(Other income)
  • Process payment using object code 9213 for the Net pay and object 1000 (Certificated) or 2000 (Classified) for the Gross pay.

When final payment is made AFTER the Calendar Year of death:

• The AP warrant should be issued no later than the date of the next payroll
• Include a letter with the warrant explaining the pay and that they will receive both a W2 and a 1099
• Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
• Zero out Gross Pay by using the Regular Addon to reverse compensation
• REPAY Deduction Code needed to Zero out DNP if applicable
• When processing AP payment, separate Gross and Net pay and flag the vendor record
  1099 – 3(Other income)
  • Process payment using object code 9213 for the Net pay and object 1000 (Certificated) or 2000 (Classified) for the Gross pay.

Step 1: Employee Management

The employee record will need to be updated and final compensation calculated. The Assignment must be ended effective date of death. The system will calculate the final
compensation that will need to be reviewed. It’s recommended to review and end Tabs left to right in Employee Management.

**Go to HR/Payroll – Employment – Employee Management**

**Employment**

Employment Status: Deceased

**Termination:**

Termination Date: Enter date of death

Termination Code: DECD (Deceased)

**Pay Cycle**
The Pay Cycle should be ended the last day of the pay period. Keep in mind if the employee is 10 or 11 pay periods with Benefits, then the Annualize FY Benefits Costs can be used to adjust the Summer Benefits.

- **End Date:** Last date of pay period.
- **Small Save/Close**

### Taxes
No income taxes should be withheld in the month of death. Change the number of Federal and State tax exemptions to “99" so no income taxes are withheld.

- **End Date:** Prior Period
- **Save/Close**
- **Copy record to update**

### Retirement

DECEASED EMPLOYEE FINAL PAY
The Retirement Tab should be ended the last day of the period of death.

- **End Date**: Last Period date
- **Comment**: Enter Description
- **Small Save/Close**

**ACH**

The ACH Tab (Automatic Clearing House), should be ended in the last day of prior period to prevent further direct deposits.

- **End Date**: Last Period date
- **Small Save/Close**

**Deductions**
Deductions should be ended in current period with the exception of Union Dues, which should not be deducted in the month of death.

Example: Union Dues
- **End Date**: Prior Period
- **Small Save/Close**

**Contributions**

The Assignments must be ended the day of death. The system will calculate the final compensation that will need to be reviewed to verify the calculations are as expected.

- **End Date**: Prior Period
- **Small Save/Close**

**Assignments**

- **End Date**: Day of death
- **Small Save/Close**

**Addons**
Review Addons to determine if any stipends are owed. End Addons last day of pay period.

- **End Date**: Last Day of pay period
- **Small Save/Close**
Enter final leaves taken. Make certain the employee has enough sick leave to be in paid status, or else Payroll should enter a dock.

Grant Leaves for the system to adjust for time not earned and calculate vacation pay out, if applicable. Leaves balances should be adjusted to zero.


- Click New to enter final leaves

- **Transaction Type**: Usage
- Use Reason and Comment fields for description
- Report unused sick leave on retirement separation form
- Pay out unused Vacation

- Adjust Leaves to 0.00
- **Transaction Type**: Adjustment
- Small Save/Close
Determine the appropriate end date for Benefit Providers, typically this is the last day or the pay period which the employee passed away.

- **End Date**: Last Day of pay period
- Small Save/Close
- Big Save/Close

For employees that are 10 and 11 pay periods, be sure to review the **Benefit03 Benefit Reconciliation Report** for the Summer Employee and Summer Employer portions to verify the premiums are paid YTD. The employee may owe for prior periods or due a refund for future depending on the bargaining unit agreement.

**Go to HR/Payroll – Reports – Benefits – Benefits03**

- Starting Pay Date:
- Ending Pay Date:
- Emp Id:
- Sort by: Provider Id
- Review Summer EE/ER
- Make adjustments in Adjust Payroll if needed in Deductions/Contributions

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**Benefit03a Benefit Provider Reconciliation**

<table>
<thead>
<tr>
<th>Employee</th>
<th>EmpId</th>
<th>Pay Cycle</th>
<th>Pay Date</th>
<th>Lvl</th>
<th>Effective Date</th>
<th>Summer Employee</th>
<th>Summer Employer</th>
<th>Current Employee</th>
<th>Current Employer</th>
<th>Current Total</th>
<th>Premium Amount</th>
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<tbody>
<tr>
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<td>79</td>
<td>CSEA#1</td>
<td>09/30/22</td>
<td>SB</td>
<td>10/1/21 - Open</td>
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<td>Smith, John</td>
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<td>CSEA#2</td>
<td>09/30/22</td>
<td>SB</td>
<td>10/1/21 - Open</td>
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<tr>
<td>Smith, John</td>
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<td>CSEA#3</td>
<td>10/31/22</td>
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<td>CSEA#4</td>
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<td>174.40</td>
<td>20.00</td>
<td>872.00</td>
<td>900.00</td>
<td>900.00</td>
</tr>
</tbody>
</table>

Total for Smith, John: 11.20, 561.60, 50.00, 3,460.00, 3,464.00, 3,464.00
Step 2: Final Payment Adjustments in Adjust Payroll

The final payment for a deceased employee will be calculated in Adjust Payroll, but the payment will be processed through Accounts Payable. It is recommended to process the final payment through AP rather than out of the district’s revolving account. However, should the district decide to pay the deceased outside of Escape, using the district’s revolving account, you will need to manually enter the vendor and payment information for 1099 reporting at calendar year end. Put a tickler in your calendar year end 1099 file as a reminder.

When final payment is made in the SAME Calendar Year of death:

- Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
- Zero out Gross Pay by using the Regular Addon to reverse compensation
- Add Z-MEDI and Z-OASDI to report Gross earnings and deductions for Medicare and OASDI if they apply (Christy Arend and Jing Liu need to be notified anytime Z-Addons are used)
- Enter REPAY deduction to zero out net pay

When final payment is made AFTER the Calendar Year of death:

- Calculate pay in Escape on the next (final) regular payroll, triggering a DNP payout if applicable
- Zero out Gross Pay by using the Regular Addon to reverse compensation
- REPAY Deduction Code needed to Zero out DNP if applicable

Go to HR/Payroll – Payroll – Payroll – Adjust Payroll

- Search by Employee Id or Name
- Click Go to get a list of pay periods
- Open the last pay period to review the calculations

- Print Snapshot for AP Back up
- Employee Payroll
Example Employee Payroll Snapshot – Same Calendar Year of Death

Review the Employee Payroll Snapshot prior to making manual adjustments.

- Note the Gross Pay in order to Reverse earnings
  - Addon TICH {Teacher in Charge} will need to be reversed using the same addon code for retirement reporting purposes
- Reductions for Pretax benefits need to be changed to Post Tax Deductions
  - Update these first to get the correct Medicare Gross
- STRS/PERS will reverse once the earnings are reversed
- DNP will need to be included in the Net payout
Adjust Payroll Manual Adjustments

- Reverse Gross earnings with REGULAR Addon
- Reverse other earnings using the same Addon for Retirement reporting
- Enter Z-MEDI Addon with Subject Gross Amount
- Enter Z-OASDI Addon with Subject Gross Amount if applicable

Addons:
- Click New to select REGULAR Addon
- Units: 1.00
- Rate Amount: Final Compensation Gross Pay
- Effective Date: Date of death
- Description: Paid in AP
- Save/Close

Addons:
- Click New to select TICH Addon
- Units: 1.00
- Rate Amount: Gross Pay
- Effective Date: Date of death
- Description: Paid in AP
- Save/Close

Addons:
- Enter Z-MEDI Addon
- Units: 1.00
- Rate Amount: Medicare Subject Gross
- Save/Close
- Go to Tasks to Calculate Net Pay
- Get a new snapshot to AP Check
**Example Gross Pay**

Review the snapshot to verify that the Gross earnings are 0.00.

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**Example Net Pay**

Get the Net Pay Amount, use the REPAY Deduction Code to Zero out in Adjust Payroll.
### Deductions

<table>
<thead>
<tr>
<th>Deduction</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPAY</td>
<td>3,202.90</td>
<td>Paid in AP</td>
</tr>
</tbody>
</table>

- **Deduction**: REPAY
- **Amount**: Enter the Net Amount
- **Description**: Paid in AP
- **Save/Close** or go to Tasks to Calculate
- Gross and Net should be 0.00 in Adjust Payroll
- Submit to AP to create new vendor and process AP payment to the Estate
Review the Labor Distribution

The REPAY Deduction Code will credit 9213 Object Code. The AP Payment will debit the 9213 to “clear” the AR Payroll.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
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<tbody>
<tr>
<td>(2023) Teachers’ Salar,Instruct</td>
<td>(2023) AR - Payroll,</td>
</tr>
<tr>
<td>3,202.90</td>
<td>3,202.90</td>
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<tr>
<td>(2023) MEDI EE</td>
<td>(2023) Accts Payable,</td>
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<tr>
<td>84.46</td>
<td>115.20</td>
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<tr>
<td>(2023) SISC Clearing</td>
<td>(2023) Vision Insuranc,</td>
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<tr>
<td>33.60</td>
<td>35.46</td>
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<tr>
<td>(2023) DN,</td>
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<tr>
<td>3,471.62</td>
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<tr>
<td>(2023) H &amp; W Benefits,Instructio</td>
<td>(2023) Medicare,Instruction,Regu</td>
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<tr>
<td>1,224.00</td>
<td>84.46</td>
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<td>(2023) SISC Clearing,</td>
<td>(2023) RESIG Dental Cl,</td>
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<td>1,046.40</td>
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<td>(2023) Medi ER,</td>
<td>(2023) Cash In County,Unrestrict</td>
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<tr>
<td>(2023) Cash In County,</td>
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</tr>
<tr>
<td>1,308.46</td>
<td></td>
</tr>
</tbody>
</table>

Labor Distribution Total 6,088.54 6,088.54
Step 3: Create a New Vendor to the Estate

When making final payment through Escape’s AP, **create a NEW vendor** to “Estate of (employee name)”.  

**W9 Form**

Have the family complete a W9 in order to obtain the TIN or SSN for the beneficiary or estate.  
- It is recommended to have a Designation of Beneficiary for Pay Warrant form on file for all employees as provided by Government Code 53245:  
- In the event of death, the employee may designate a beneficiary to receive all warrants or checks that will be payable to the employee  
- 1099 Form: 3 {Other Income}  
- 1099: Yes  

**Go to Finance – Purchasing – Vendors**

- Click New to create the vendor  

**Vendor Description:**  
- **Vendor Name:** Estate of John Smith  
- **Sort Name:** Can be the same  

- Go to Tasks  
- Select Add/Change SSN: Provided on the W9 Form

**Payment Information:**

- **W9 Required?:** Yes  
- **W9 Received Date:** 10/1/2022  
- **1099 Form:** 3 {Other Income}  
- **1099:** Yes  

Upload W9 in the Attachments in the Vendor record
Step 4: Department Record

Account Object Filter

Make sure *Account Object Code Filter* is set up to create a Vendor Requisition using salary accounts to include 1000 & 2000 object codes.

*Go to Finance – Setup – Department - Departments*

- Add: 1 or 2 Depending on Certificated or Classified
- When payment is made, change settings back to exclude these objects
- This is the only time a payment should be made from salary accounts
Step 5: Create a Vendor Requisition

Create a Vendor Requisition with the Direct Payment Type to issue the warrant to the new vendor “Estate of” (employee name)

- Process payment using object code 9213 for the Net pay and object 1000 (Certificated) or 2000 (Classified) for the Gross pay.

- The warrant should be issued no later than the date of the next payroll

Go to Finance – Requisitions – Vendor Requisitions

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Example Vendor Requisition:

**Comment:** Enter Description, this is a searchable field

**Order Type:** Direct Payment

**Vendor Id:** Enter id or partial name to select

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Go to the Items Tab to enter information for Final Compensation.

- **Description:** Final Compensation
- **Unit Price:** Total Net Pay from Payroll Snapshot
- **Taxable:** No

**Accounts**

- Click New to enter the Salary Account with the Gross Amount
- Click New to enter the Object Code 9213 for the Net Amount

**Attachments**
It’s recommended to upload the Employee Payroll Snapshot in the Vendor Requisition Attachments.

- Click New to add an Attachment in the Vendor Requisition
- Click in the File to Attach field to locate the file
- Save/Close
- Got to Tasks to Submit the Vendor Requisition

**Step 6: AP Payment**

Submit to the Vender Requisition for payment.

AP Payment using Enter Payment or Payment Transactions.