Deceased Employees: Checklist (UPDATED 03/2026

It is necessary for LEAs to use the correct process for paying and reporting compensation for deceased employees. Guidelines can be found in IRS Publication 15 and in the Instructions for Form W2.

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
- ☐ **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 of 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 Frontline 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, Z-SUI, ZWC, ZSDI, and Z-OASDI Add-ons to report Gross earnings and deductions for Medicare, State Unemployment Insurance, Workers Compensation, State Disability Insurance and OASDI. Please note SDI and OASDI only apply to certain employees. *(Christy Arend and Jing Liu need to be notified anytime these Z-addons are used)*
  - ☐ Add Z-STRS or Z-PERS add-on if applicable (Make sure to notify Alli Britton and Maria Aguayo if you are using these add-ons)
    - Contact CalSTRS directly to report deceased employee. Final sick leave will need to be reported.
    - Fill out CalPERS Change form and turn into Maria Aguayo – the CalPERS appointment will need to be ended with the reason being deceased.
  - ☐ Enter REPAY deduction to zero out net pay

- ☐ ***When final payment is made AFTER the year of death***:
  - ☐ Calculate pay in Frontline 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 **any** taxes
  - ☐ Add Z-STRS or Z-PERS add on if applicable (Make sure to notify Alli Britton and Maria Aguayo if you are using these add-ons)
    - Contact CalSTRS directly to report deceased employee. Final sick leave will need to be reported.
    - Fill out CalPERS Change form and turn into Maria Aguayo – the CalPERS appointment will need to be ended with the reason being deceased.
  - ☐ REPAY deduction code needed to zero out DNP if applicable

Step 3: Create a New vendor to the Estate **or** Next of Kin *(Affidavit to Collect Compensation of Deceased needed, up to $5,000.00 net)*

- ☐ Have the family complete a W9 in order to obtain the TIN or SSN for the beneficiary or estate
  - It is best to have a Deceased Payroll Warrant Recipient Designation 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
  - Payments under $5,000.00 can be collected using an Affidavit to Collect Compensation of Deceased – attached
- ☐ Finance → Purchasing → Vendors→Section 6: **1099 Form: 3 {Other Income}**
- ☐ **1099: YES**

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) or next of kin"
- ☐ Process payment using object code 9213, for net pay *(entered as a negative for REPAY amount)* and object 1XXX (certificated) or 2XXX (classified) for gross pay *(entered as a positive)*
- ☐ 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 Frontline, 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.

Helpful Chart explaining process for deceased employee payments



Taxation of Payments after Death

Paid in Same Year as Death

PAYROLL PROCESS	ACCOUNTS PAYABLE
Social security and Medicare withheld and reported as SS/Medi wages on Employee Form W-2 Amount is not reported as federal income taxable wages	Gross amount of payroll check is reported on Form 1099-MISC.(Box 3) of the employee's estate or to the beneficiary who received the payment

Paid in the Next Calendar Year after Death

• No social security or Medicare tax withheld or • No reporting on Form W-2	Gross amount of payroll check is reported on Form 1099-MISC.(Box 3) of the employee's estate or to the beneficiary who received the payment

Make sure to get Beneficiary TIN

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See treatment for tax purposes for California at the below EDD link(Deceased employee wages)

https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de231TP.pdf

Please Notify Christy Arend(Carend@scoe.org) and Jing Liu(Jliu@scoe.org) if you have a deceased employee. This process affects taxes and needs to be verified before finalized in Frontline.

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