Procedure for Paying Deceased Employees

Wages paid to employees after death are subject to different taxation than those paid prior to death. Wages paid after death, but within the same year as the death, are subject to Social Security, Medicare, and Retirement (as appropriate). They are not subject to Federal or State income taxes. A 1099 is generated for these wages by the Finance and Administration Cabinet. Wages paid after the year of death are not subject to Social Security or Medicare.

Special wage types have been developed for paying pay period salary, as well as annual and compensatory leave payouts after death. Using the appropriate wage type will ensure the proper taxation and retirement contributions. Below are the necessary steps to ensure the employee's estate is paid correctly for their final wages.

Change the name of the employee on IT0002 to "Estate of (name)" prior to making the payments. After all payments have been made, it is important to change the name back to the employee name for W-2 purposes. The name on the W-2 must match the name on file with the Social Security Administration.

The employee's bank details should be changed from an EFT to a check record on IT0009 to allow their estate to receive a paper check for final wages.

Voluntary optional deductions on IT0014 should be left active.

If there is a holiday in the period and the employee is not on a 24/7 schedule, you must change the schedule to 24/7 on IT0007 Planned Working Time using the beginning date of the pay period.

Start Date	End Date	WS rule	T	Empl.	MoHrs	Wk.hrs	Hrs/Da	Wk...	P	LI	S..
09/01/2014	12/31/9999	24/7	1	100.00	162.50	37.50	7.50	5.00			10
01/01/2014	08/31/2014	1M-F7.50	1	100.00	162.50	37.50	7.50	5.00			10

The timesheet for the period being paid as "wages paid after death" should reflect LNPA for hours up to the termination date. If the PAN has not been processed by the time payroll runs, please complete the timesheet with LNPA for the entire pay period. If the timesheet reflects other paid time types, it will result in a hard stop payroll error that will prevent the employee from being paid.

A/AType	Wa...	Unit	Ac...	Lo...	Total	MO 09/01	TU 09/02	WE 09/...	TH 09/04	FR 09/05	SA 09...	SU 09/07	MO 09/08	TU 09/09	WE 09/...	TH 09/11
					264	24	24	24	24	24	24	24	24	24	24	24
					67.50	7.50	7.50	7.50	7.50	7.50	0	0	7.50	7.50	7.50	7.50
LNPA					67.50	7.50	7.50	7.50	7.50	7.50			7.50	7.50	7.50	7.50

Quota corrections should be created using IT2013 for the following reasons:

- For any leave used and/or earned during the period.
- To credit leave accruals if they worked or had paid leave for 100 or more hours in the calendar month of their death.
- To credit hours due for an evaluation award that has not been added.

Below is a list the wage types developed for payments of pay period salary after death.

WT	Description	Infotype
9002	Death Wages Curr Yr	IT0015
9003	Death Wages Prior Yr	IT0015

You will need to manually calculate the amount of pay period wages owed to the employee and an IT0015 should be created using WT9002 or WT9003, as indicated above.

In the following example the employee was separated on 9/12/14 however the date of death was 9/11/14.

Start Date	End Date	Act.	Action Type	ActR	Reason for action
09/12/2014	12/31/9999	ZF	Separation	32	O - Deceased

Pay period wages paid in current period (date of origin should be the date of the employee's death)

0015 Additional Payments

Wage Type	9002	Death Wages Curr Yr
Amount	979.99 USD	Ind.val.
Number/unit	0.00	
Date of origin	09/11/2014	
Default Date	00	
Assignment Number		
Reason for Change		

When paying out compensatory leave balances for a deceased employee please use the subtypes listed below in IT0416.

KERS/Judicial/TIAA	KTRS: Teachers
Death Payments for compensatory time	**Death Payments for compensatory time**
Use Subtype 1002 if death in current year	Use Subtype 1002 if death in current year
Use Subtype 1003 if death in prior year	Use Subtype 1003 if death in prior year

Compensatory leave payout in current year (the start date should be the date of the employee's death)

Start 09/11/2014 Chg. 09/23/2014

Comp. method 1002 Comp Death Current Year

Compensation specifications

- (•) Automatic compensation
- ( ) Manual compensation

Time quota type	00	
Compensation rule	003	Compensatory
No. to compensate	13.63000	

☐ Do not account

When paying out annual leave balances for a deceased employee please use the subtypes listed below in IT0416. Please remember that there is no limit on the payout of annual leave to a deceased employee.

KERS/Judicial/TIAA	KTRS: Teachers
Death Payments for Annual payout	**Death Payments for Annual payout**
Use Subtype 1005 if death in current year	Use Subtype 1005 if death in current year
Use Subtype 1006 if death in prior year	Use Subtype 1006 if death in prior year

Example of annual payout in current year(the start date should be the date of the employee's death).

Start 09/11/2014 Chg. 09/23/2014

Comp. method 1005 Annual Death Current Year

Compensation specifications

- (•) Automatic compensation
- ( ) Manual compensation

Time quota type	00	
Compensation rule	001	Annual
No. to compensate	372.66000	

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