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OFFICE OF THE COMPTROLLER

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PAYMENTS FOR DECEASED EMPLOYEES

Effective: July 1, 2004

Last Updated: October 17, 2008

Executive Summary

Once a Payroll Director learns of an employee's death, he/she must stop the employee's direct deposit or check and hold all payments until valid beneficiary information is provided. All payments owed to an employee after his/her death is to be paid out to the employee's designated beneficiary on file with the State Board of Retirement. If there are no designated beneficiaries on file, payment should be made to the employee's legally recognized estate. If there are multiple beneficiaries, departments can make payments over the number of pay periods needed to pay each beneficiary.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Policy

Departments are responsible for ensuring the appropriate taxes and deductions are taken once notification of death has been made. Departments must ensure payments are made to a valid beneficiary. The election information on file at the State Retirement Board will dictate all payment distributions. In the absence of any beneficiary information, all payments will be made to the employee's legally recognized estate. All beneficiary/estate payments must generate a 1099 for tax reporting and cannot be made until a valid TIN/W9 is received. Departments are responsible for submitting the necessary information to CTR's Payroll Bureau for manual 1099 processing.

Send to:

Payroll Bureau
Office of the Comptroller
One Ashburton Place, 9th Floor
Boston, MA 02108

Wages, taxes and deductions processed prior to notification will be reported on the employee's W-2. Beneficiary or Estate payments and the corresponding 1099 tax reporting occur from the point of Notification of an employee's death.

Payments made within the same Tax Year as Date of Death must be reported on both the Employee's W-2 (where applicable) and the Beneficiary's 1099. Final wages are subject to Garnishment deductions. Final Wages and Lump Sum payments are subject to applicable Medicare and Retirement deductions.

Payments made in a Tax Year other than Date of Death are only reported on the 1099 to the Beneficiary. Retirement deductions will be taken, however no other deductions will be withheld.

Deduction Guidelines for Deceased Employee Payments

Deduction	Payment Made in Calendar Year of Employee's Death	Payment Made <u>After</u> Calendar Year of Employee's Death
Federal Income Tax	Do Not Deduct	Do Not Deduct
Medicare Tax	Deduct	Do Not Deduct
State Income Tax	Do Not Deduct	Do Not Deduct
State Retirement	Deduct	Deduct
Higher Ed Optional Retirement	Deduct	Do Not Deduct
Alternate Retirement	Deduct	Do Not Deduct
Wage Garnishments	Deduct (unless notified by legal entity to stop deduction prior to payment going out)	Do Not Deduct
Salary Advances	Deduct	Deduct
Basic Insurance	Do Not Deduct	Do Not Deduct
Long Term Disability	Do Not Deduct	Do Not Deduct
Dental/Vision Insurance	Do Not Deduct	Do Not Deduct
Optional Life Insurance	Do Not Deduct	Do Not Deduct
Special Insurance	Do Not Deduct	Do Not Deduct
Union Dues	Do Not Deduct	Do Not Deduct
Agency Service Fees	Do Not Deduct	Do Not Deduct
DCAP	Do Not Deduct	Do Not Deduct
TSA	Do Not Deduct	Do Not Deduct
Deferred Comp	Do Not Deduct	Do Not Deduct
Savings Bond	Do Not Deduct	Do Not Deduct
COMECC	Do Not Deduct	Do Not Deduct
MBTA Passes	Do Not Deduct	Do Not Deduct
Commonwealth Fees	Do Not Deduct	Do Not Deduct

Internal Controls

The Office of the Comptroller establishes/identifies the policy on Payments to Deceased Employees. See [Best Practices For Payroll](#).

Information Sources

Related Procedure – Instructions For Deceased Employee Payments

- Legal Authority
 - IRS Instructions for Form 1099-MISC, Tax Year 2001
 - IRS Rev. Rule. 71-525, CB 1971-2, 356
 - Massachusetts General Laws, Chapter 7A, Sections 3, 7, 8
 - Massachusetts General Laws, Chapter 29, Sections 31A and 31D
- Attachments – None
- Links - [HR/Payroll Best Practices](#)
- Contacts – [CTR Solution Desk](#)
- [Comptroller Web Portal Homepage](#)

Revisions

- **October 17, 2008** – Retirement can be deducted in payments made after Year of Death.
- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal. site.