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# Mississippi Management and Reporting System

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**Department of Finance and Administration**

<b>MMRS Training Materials</b>		
6019	SPAHRs Death Benefits Payroll Processing Job Aid	Revision Date: 02/08/2016
		Version: 2

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## Overview

When an employee dies leaving unpaid wages, there are certain guidelines that must be followed to make the payments. MS Code 91-7-323 defines who is entitled to receive the wages due a deceased employee. IRS Publication 15 (Circular E) defines the tax treatment of payments when an employee has died.

MS Code 25-3-97(6) defines who is entitled to receive the payment for unused personal leave when an employee dies. The 240-hour payment limit does not apply for unused personal leave payments on a deceased employee.

### Step 1: Separate Deceased Employee

Create a separation record for the deceased employee in SPAHRS with a termination code of DH (EM EP SE). Payments to the Next of Kin or Beneficiary are not subject to Federal or MS State Tax withholdings. Payments made in the pay period in which the employee died will detect the DH separation reason and will apply all state and federal taxes correctly if paid in the same year as the death.

### Step 2: Determine the Next of Kin and Beneficiary

- Send a W-9 to each person who qualifies as a next of kin or beneficiary and request that these forms be completed and returned.

**NOTE:** If the next of kin is a minor and the payment will be made to the Chancery Clerk, this step is not necessary.

### Step 3: Vendor Maintenance Form

- Create a Magic Vendor number in MAGIC.
- Attach the MAGIC Vendor number to the Vendor Maintenance Form, along with the completed W-9, and submit to the Bureau of Financial Control (BFC) to request a SPAHRS/SAAS vendor number for each person.

**NOTE:** If the next of kin is a minor and the payment will be made to the Chancery Clerk, this step is not necessary.

### Step 4: Create Payment for Unpaid Wages/Unused Personal Leave

Set up the NXKIN and/or BENIF deduction code for the deceased employee, effective the beginning of the pay period in which the employee died. This deduction code will be set up as a **debt deduction** using the vendor number assigned by BFC. No amounts should be entered. If there is more than one next of kin/beneficiary, set up multiple sequences of this deduction code. When the payroll is run, the net pay due will be divided between each occurrence of NXKIN or BENIF. This will result in a zero net pay for the deceased employee's pay detail. Each next of kin or beneficiary will receive payment on a vendor warrant issued from the payroll run.

If any pay periods prior to the employee's death have not been paid, the Deceased field on the adjustment must be marked "Y." For these payments the NXKIN will need to be effective for that pay period as well as the pay period in which the employee died. State and Federal Income Tax records must be expired prior to the date of the pay period. Social Security and Medicare should remain unexpired.

If the payroll has already been made for the pay period in which the employee died and cannot be voided, additional money owed or deduction refunds due cannot be made to the NXKIN and should not be treated as deceased payments. They will have to be made to the deceased employee and should be done prior to entering the separation reason.

**If the payments are being made in the calendar year after the employee died, no FICA or MCARE is to be withheld.**

- Go to Maintain Federal Taxes (EM MP FT) to expire these records. Modify the employee's FICA record with an expiration of the end of the month *prior to* the month the employee was deceased. This action will expire both the FICA and MCARE records.

**NOTE:** Do not expire these tax records until after all payments are made in the calendar year the death occurs.

The next of kin and beneficiary will receive a 1099-MISC with the taxable amount of the payments identified in box 7 as Nonemployee Compensation.

If the employee dies before the end of the pay period and the payroll for that pay period has already been processed, the deceased employee's warrant or EFT must be returned to BFC to be voided. If the payment was EFT, the net pay can be returned via personal check to void the original payment.

If the employee dies before the payroll has been processed, but the completed W-9 has not been returned or the next of kin's vendor number has not been issued, then purge the time sheet for the deceased employee and add it back when the vendor number has been issued. An Issue Pay adjustment can be added to make this payment on a supplemental payroll.