



LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

PAYROLL MEMORANDUM 2016.11

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TO: All Human Resources and Accounts Payable departments of Community and Technical Colleges, including Baton Rouge Community College, Bossier Parish Community College, Central Louisiana Technical Community College, Delgado Community College, L. E. Fletcher Technical Community College, Louisiana Delta Community College, Northshore Technical Community College, Northwest Louisiana Technical College, Nunez Community College, River Parishes Community College, South Central Louisiana Technical College, South Louisiana Community College, SOWELA Technical Community College and the LCTCS Office

FROM: Sharon Dunham
LCTCS Payroll, Senior Payroll Manager

DATE: April 18, 2016

RE: Centralized Payroll Procedure on Deceased Employee
Final Payments and Tax Considerations

Wages paid on the behalf of a deceased employee follow special tax treatment and employer reporting requirements. When wages are paid after the death of an employee, regardless of when the wages were earned, the payment is taxable income to the payee (which is generally the estate of or a beneficiary of the deceased employee). Taxes withheld from such wages vary depending on the nature and timing of the payments.

- If the final payments are dated with the year of death, the payment is taxable for Medicare and Social Security **only**.
- If the final payments are dated after the year of the employee's death, the payments are **not** taxable.

“Additional withholding” amounts (W4/W5) should **not** be withheld from a deceased employee's final paycheck.

Act 24 of the 2005 Regular Legislative Session
Relative to the payment of deceased employees' last wages to the surviving spouse or major child of the deceased. The Act eliminated the \$6,000 cap on the amount paid by the employer.

Effective June 9, 2005, employers may pay to the surviving spouse any and all wages, annual leave (sick leave if applicable) or other benefits due to a deceased employee. In the event the deceased employee leaves no surviving spouse, the employer may pay these wages to any major child of the deceased employee.

Checks produced in the LCTCS Centralized Banner payroll should continue to be made payable to the estate in the absence of a surviving spouse or major child.

Procedures

1. Notify LCTCS Centralized Payroll upon the death of an employee as soon as possible.
2. Inactivate the direct deposit record
3. LCTCS Centralized Payroll will change the payee's name. The final payment may be payable to the deceased employee's surviving spouse or major child. In the event the deceased employee leaves no surviving spouse or major child, the check should be payable to Estate of (deceased employee's name).

Upon the release of a deceased employee's final check, the following forms must be completed. These forms must be forwarded to payroll. LCTCS Centralized Payroll must notify the Louisiana Department of Revenue within 10 days of the release of funds payable to the surviving spouse or major child (R.S. 9:1515).

Louisiana Department of Revenue
Inheritance, Gift, and Estate Transfer Taxes Section
P.O. Box 201
Baton Rouge, LA 70821-0201

Payments made to the surviving spouse or major child requires the forms listed below:

- a. Form W-9 (Taxpayer Identification Number & Certification)
- b. Form 1099 Request
- c. Affidavit for Deceased Wages
- d. Release for Deceased Wages

Payments made to Estate of deceased employee requires the forms listed below:

- a. Form W-9 (Taxpayer Identification Number & Certification)
- b. Form 1099 Request
- c. Release for Deceased Wages