

Policy for Payments to the Estate or Beneficiary of Deceased Employees

The following guidance outlines policies that schools and department must follow in the untimely event of an employee's death.

The first section details the steps needed to take if payments are made to the estate or beneficiary of a deceased employee in the year of an employee's death. The second section details the steps needed to take if payments are made to the estate or beneficiary of a deceased employee in the year after an employee's death.

Payments to the Estate or Beneficiary of Deceased Employees in the Year of an Employee's Death

Purpose: This policy outlines the procedures for processing payments to employees who pass away within the current year, and their final wages are paid in the current year. It ensures compliance with tax regulations and proper documentation.

1. Payment Processing

If an employee dies in the current year and is owed wages or post-mortem payments, these payments will be processed through the payroll system.

All payments will be subject to Social Security and Medicare taxes.

2. Tax Reporting

A W-2 form will be issued in the name of the deceased employee, reporting wages and taxes in Boxes 3-6. Boxes 1, 2, 16-19 will have no amount entered for the final payment but will include wages and taxes up to the date of death.

The estate or beneficiary will receive a Form 1099-MISC for the gross amount paid after the employee's death, reported in Box 3.

See Example in Appendix.

3. Required Documentation

a) The department must obtain one of the following documents:

- A copy of the death certificate, or
- A published article confirming the employee's passing.

This documentation must be attached to the eTermination transaction with reason DEA (Death). Also include any vacation days or personal days that need to be paid out to the estate. The effective date on the eTerm must be a day after the date of death. Once approved, the Human Resources Processing Center (HRPC) will complete the transaction in PAC.

b) In addition, to set up the vendor, the department must secure a W-9 Form for the Estate or beneficiary as follows:



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- A current [W-9 form](#) must be provided, confirming that the IRS recognizes the estate.
- As required by IRS regulations, the W-9 must have a hand or electronic signature acceptable by the IRS. For more information, refer to the university policy on the IRS W-9 tax form.
- The required default withholding will be 1099-MISC.

The department will submit concurrently with the E-Term a service request the W-9 to the Vendor Management team (request it be assigned to VM) with the following details:

- Year of payment
- Employee Name
- Estate or Beneficiary Name
- Amount to be reported in Box 3 (total of Gross Post Mortem pay plus vacation pay)
- A W-9 for the Estate or Beneficiary

4. Calculation of Payment Amounts

The department will complete the E-Term and upload the attachments regarding evidence of death, plus detailing the calculations to confirm:

- Regular pay is based on date of death and is calculated automatically, but any additional compensation payments need to be calculated prorated based on the date of death
- Vacation pay
For vacation pay, the calculation is:
 $(\text{Annual rate}/260) * \text{Number of vacation and personal days to be paid out}$
- Post-mortem gross amount
 - <https://universitypolicies.columbia.edu/content/post-mortem-pay>

HRPC will process the final payment using the designated post-mortem earn code to ensure FICA taxes are applied.

Payments will be issued via PAC to the “Estate of [Employee Name]” under the employee's PAC account and will be paid by check.

5. Reporting Procedures

W-2

- W-2 will be issued to the deceased employee in January following the year of death by Payroll.

1099-MISC

- Vendor Management (VM) will set up a restricted vendor profile for 1099 reporting
- VM will send the completed Vendor ID to AP via ServiceNow (AP Tax queue) for setup
- Accounts Payable (AP) to update the withholding adjustment page, and 1099-MISC will be issued in the year following the payment
- AP will issue the 1099-MISC, including the gross amount paid after the employee died, in Box 3.

6. Communication with Beneficiaries

The department will communicate with the estate or beneficiary regarding the payment process and any required documentation.

7. Review and Approval

The department's final approver must review and approve all payments and documentation before they are processed.

HRPC will maintain records and attachments for 7 years for the payments held in PAC.

AP will retain the 1099-MISC records.

Payments to the Estate or Beneficiary of Deceased Employees in the Year after Death

Purpose: This policy details the procedures for processing payments to the estate or designated beneficiary of an employee who passes away towards the end of a calendar year, and their final wages are paid in the following year. It ensures compliance with tax regulations and proper documentation.

1. Payment Processing

- If an employee passes away towards the end of a calendar year and their final wages are paid in the following year, their post-mortem payments (including vacation pay) cannot be processed through payroll.
- All such payments must be made directly to the estate or designated beneficiary via Accounts Payable (AP), following a process similar to vendor payments.
- Payments will be reported in Box 3 of the 1099-MISC form and issued after the end of the calendar year in which they are made.

2. Required Documentation

The department must contact the deceased employee's family to inform them that the following documents are required to process post-mortem and other payments:

- a) Affidavit from the Estate:

This affidavit, typically provided by a law firm or attorney, must identify the estate and specify to whom the payments should be issued (either to a person or the estate).

The affidavit should include the estate's name registered with the IRS, address, and tax identification number (EIN).

The department should also obtain contact information for the attorney or law firm issuing the affidavit for any necessary follow-up.

- b) W-9 Form for the Estate:



A current [W-9 form](#) must be provided, confirming that the IRS recognizes the estate.

As required by IRS regulations, the W-9 must have a hand or electronic signature acceptable by the IRS. For more information, refer to the university policy on the IRS W-9 tax form.

The required default withholding will be 1099-MISC.

3. Calculation of Payment Amounts

- Since payments are reported in the year following the employee's death, there is no requirement to report FICA wages or withholdings.
- Payments will be issued for the gross amount without any tax deductions.
- The department is responsible for calculating the post-mortem pay and reviewing the number of days the individual is owed for termination pay

For vacation pay, the calculation is:

$(\text{Annual rate}/260) * \text{Number of vacation and personal days to be paid out}$

4. Setting Up the Vendor Profile

Due to the unique nature of this vendor setup, a Service Now Request with the title “Deceased Employee Requiring Vendor Setup for Final Payment” must be submitted to Vendor Management.

The request should include:

- Name of the deceased employee
- University Network ID (UNI) of the employee
- W-9 form for the recipient of the funds
- Affidavit from the estate, including contact information for the person who can discuss the affidavit if needed.

5. Making the Payment

- Once the vendor profile is established in AP, create a Non-PO voucher within the CU Marketplace with complete payment details. The Account number that should be used for the payment is 64505.
- Include any supporting documentation available to substantiate the payment.
- Payments to the estate or beneficiary will be issued by check; direct deposit or wire transfer is not an option.

6. Reporting

AP will issue the 1099-MISC form, which will include in Box 3 the gross amount paid after the employee's death.

Appendix: Example of a final payment made in the year of death

Before Sam's death on June 15, 2025, Sam was employed and received \$10,000 in wages on which federal income tax of \$1,500 was withheld. When Sam died, Sam's employer owed Sam \$2,000 in wages and \$1,000 in accrued vacation pay. The total of \$3,000 (less the social security and Medicare taxes withheld) was paid to Sam's estate on July 20, 2025. Because Sam's employer made the payment during the year of death, the employer must withhold social security and Medicare taxes on the \$3,000 payment.

The following is reported on the W-2:

- Box a: Sam's SSN
- Box e: Sam's name
- Box f: Sam's address
- Box 1: \$10,000 (does not include the \$3,000 accrued wages and vacation pay)
- Box 2: \$1,500
- Box 3: \$13,000 (includes the \$3,000 accrued wages and vacation pay)
- Box 4: \$806 (6.2% of the amount in box 3, up to the social security earning limit)
- Box 5: \$13,000 (includes the \$3,000 accrued wages and vacation pay)
- Box 6: \$188.50 (1.45% of the amount in box 5, plus additional Medicare tax if applicable)
- Box 16: \$10,000 (based on NYS rules, other state requires separate analysis)
- Box 17: (amount withheld for state tax)
- Box 18: \$10,000 (based on NYC rules, other local jurisdiction requires separate analysis)
- Box 19: (amount withheld for local tax)

The following is reported on Form 1099-MISC:

- Boxes for the recipient's name, address, and TIN—the estates or beneficiary's name, address, and TIN.
- Box 3: \$3,000 (Even though amounts were withheld for social security and Medicare taxes, the gross amount is reported here.)