

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: April 1, 2022

PAYROLL LETTER #22-002

TO: All Agencies and Campuses in the Uniform State Payroll System

FROM: Jil Barraza, Chief
Personnel and Payroll Services Division**RE: DECEASED EMPLOYEES AND DESIGNEES/BENEFICIARIES****ASSEMBLY BILL 444, STATE AND LOCAL EMPLOYEES: PAY WARRANTS - DESIGNEES**

Government Code section 12479(c) requires the appointing power, upon sufficient proof of identity, to endorse and deposit the warrant issued to a deceased employee back into the Treasury to the credit of the fund or appropriation upon which it was drawn, as specified, and then issue a revolving fund check to the designated person in the original amount payable to the deceased employee. Please refer to the [State Administrative Manual, Section 8477.2-Release of Warrants of Deceased State Employee to a Person Designated by the Employee, Government Code Section 12479](#).

REPORTING AND WITHHOLDING

Wages paid on behalf of a deceased employee have unique reporting and withholding requirements. The State Controller's Office (SCO) uses [Form 1099 MISC, Miscellaneous Income](#), to report these payments as income in the name of the recipient. These payments are reported as Federal income, but are not subject to either Federal or State Income Tax withholding at the time the pay issues.

BENEFICIARY/DESIGNEE NOTIFICATION OF FORM 1099 MISC

When releasing deceased employee's payments to the beneficiary/designee, agencies/campuses must advise the recipient that Form 1099-MISC will be released to reflect amounts with issue dates after the employee's date of death. **Under no circumstances should the recipient be advised that payments are not taxable.**

PPSD 21 COMPLETION

Deceased Employee Data, form [PPSD 21](#) must be submitted to SCO on a flow basis, as payments are released to the designee. As noted above, payments issued to a deceased employee require special reporting via Form 1099-MISC. Payment information contained on Form 1099-MISC must not be included in a deceased employee's Form W-2. Agencies/campuses must complete form PSD 21, Deceased Employee Data, to accurately reduce deceased employee wages on Form W-2 and report ALL payments (including Fringe Benefits/Employee Business Expenses and payments released when a S70/S71, Retirement/Disability Retirement, transaction was posted rather than a S95) released to the recipient on Form 1099-MISC.

FORMS W-2, W-2C AND 1099-MISC

SCO will prepare and release annually by January 31:

- Forms W-2 for deceased employees indicating wages/taxes issued prior to death, SS/Med wages/taxes for calendar year of death and SDI taxes for calendar year of death Form 1099-MISC indicating payments released to the beneficiary/designee

SCO will prepare and release on a flow basis:

- Forms 1099-MISC indicating payments released in prior years to the beneficiary/designee. Forms 1099-MISC are forwarded to the beneficiary/designee address indicated on form PPSD 21.
- If issuance of Form 1099-MISC requires a corresponding Form W-2c for a deceased employee indicating wage corrections, a Form W-2c will be forwarded to the agency/campus.

Please note that SCO's PPM [Section I \(900-914\)](#) is forthcoming.

Revisions to the PPM and State Administrative Manual are being updated. Please direct questions regarding this Payroll Letter to the Statewide/W2 Unit/Miscellaneous Deduction Unit via email at PPSDW2MiscDed@sco.ca.gov.

For additional questions, please use the following contact information:

Contacts:

- Affordable Care Act (ACA) Email acasupport@sco.ca.gov
- Cal Employee Connect Email connecthelp@sco.ca.gov
- Cal Employee Connect Feedback Email connectfeedback@sco.ca.gov
- California Leave Accounting System (CLAS) Email Clas@sco.ca.gov
- ConnectHR Email (All HR Staff) connecthrhelp@sco.ca.gov
- ConnectHR Feedback Email (All HR Staff) connecthrhelp@sco.ca.gov
- CS Escalation Email (HR Supervisors and Managers) PPSDOps@sco.ca.gov
- CSU Inquiry Email (HR Supervisors and Managers) PPSDCSUInquiry@sco.ca.gov
- HR Suggestions Email (All HR Staff) PPSDHRSuggestions@sco.ca.gov
- Management Information Retrieval System (MIRS) Email ppsdmirs@sco.ca.gov
- [Statewide Customer Contact Center](#) (916) 372-7200

SCO Key Initiatives:

- [Cal Employee Connect Project](#)
- [California State Payroll System Project](#)

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