

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

DATE: October 8, 2025

PAYROLL LETTER #25-012

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

FROM: Lisa Dean, Acting Chief  
Personnel and Payroll Services Division**RE: DECEASED EMPLOYEE AND DESIGNEE/BENEFICIARY REPORTING****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 [Section 8477.2, Release of Warrants of a Deceased State Employee to a Person Designated by the Employee](#), of the State Administrative Manual and [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 federal or state income tax withholding at the time the pay is issued.

**BENEFICIARY/DESIGNEE NOTIFICATION OF FORM 1099-MISC**

When releasing the 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.

NOTE: No payments shall be released to a beneficiary/designee without obtaining a [Form W-9, Request for Taxpayer Identification Number and Certification](#).

**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 and campuses must complete Form PSD 21, Deceased Employee Data, to accurately reduce the deceased employee wages on Form W-2 and report all payments (including Fringe Benefits/Employee Business Expenses and payments released when an S70/S71, Retirement/Disability Retirement, transaction was posted rather than an S95) released to the

recipient on Form 1099-MISC. Please refer to the [Deceased Employee and Beneficiary/Designee Guide](#) for more information on reporting

For 2025 tax year reporting, please submit all forms by Friday, December 5, to ensure accurate reporting for the deceased employee and the issuance of the 1099-MISC for the beneficiary.

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

The State Controller's Office will prepare and release annually by January 31.

- Form W-2s for deceased employees indicate wages/taxes issued prior to death, social security and/or Medicare wage/taxes for calendar year of death and State Disability Insurance (SDI) taxes for calendar year of death.
- Form 1099-MISC indicating payments released to the beneficiary/designee.

The State Controller's Office will prepare and release on a flow basis:

- Form 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 refer to SCO's [Payroll Procedures Manual, Section I \(900-914\)](#).

If you have any questions, please contact the [Statewide Customer Contact Center](#) at (916) 372-7200 and select W-2 Unit or via email at [PPSDW2MiscDed@sco.ca.gov](mailto:PPSDW2MiscDed@sco.ca.gov).

### **PPSD and CSU Contact Information:**

- [PPSD Contacts and Additional Information](#)
- [Campus Information Retrieval System \(CIRS\) | Contact Email](#)

### **Web Resources:**

- [For HR Personnel](#)
- [For State Employees](#)

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