

**Deceased Warrant Processing**

If the recipient of a payroll warrant dies while the warrant is still negotiable, the LEA has a fiduciary responsibility to ensure that the final compensation of a deceased employee is received by their beneficiary.

**Designation of Beneficiary**

It is highly recommended that all LEAs follow the provisions of California Government Code 53245 that became effective November 13, 1968, and have every new hire complete a “Warrant(s) Recipient Designation” form. Upon the death of an employee, the person named as designee shall be entitled to receive the warrant(s) that would have been payable to the deceased.

The following page shows a generic version of the form that should be on file for every employee and updated by employees when they wish to change their beneficiary designation for their final pay warrant. **This form only applies to the final pay warrant(s).**

**DESIGNATION OF BENEFICIARY  
PAY WARRANT**

As provided in Section 53245 of the California Government Code, in the event of my death, I hereby designate the following person to receive all warrants or checks that will be payable to me from:

\_\_\_\_\_  
(SCHOOL DISTRICT)

NAME OF DESIGNEE \_\_\_\_\_

SOCIAL SECURITY NUMBER \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

In the event that the person indicated above predeceases me I hereby designate the following person as a secondary beneficiary.

NAME OF SECONDARY DESIGNEE \_\_\_\_\_

SOCIAL SECURITY NUMBER \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

This designation form cancels and replaces any designation previously signed for this purpose and shall remain in effect until cancelled in writing.

On sufficient proof of identity, the appointing power shall release the warrants or checks to the above designee. The designee who receives a warrant or check is entitled to negotiate it as if the payee.

EMPLOYEE NAME \_\_\_\_\_

SOCIAL SECURITY NUMBER \_\_\_\_\_

SIGNATURE \_\_\_\_\_

DATE \_\_\_\_\_

**NOTE: IT IS IMPORTANT THAT YOU UPDATE THIS FORM WHEN CHANGES OCCUR THAT WOULD AFFECT YOUR DESIGNATION OF BENEFICIARY.**

**Deceased Employee Processing**

**Scenario 1:** Employee passed in the current year.

**LEA RESPONSIBILITY:**

1. Change EE taxes to exempt for both Federal and State.
2. Remove any Direct Deposit information for the employee.
3. Pay on a POD. Ask DFS Payroll to pull the warrant and hold for further processing.
4. Complete a Declaration for Replacement of Lost or Destroyed Payroll Warrant form. On the form, mark the box for custodian and have a LEA approver, sign the form.

I declare that I am the  legal owner (or)  custodian of warrant number \_\_\_\_\_,

5. In the reason section, indicate the date of death. Tax handling is different for employees who pass in the current year as opposed to those that pass during the previous year.
6. Send the form to DFS Payroll (scan or fax).

**DFS PAYROLL RESPONSIBILITY:**

1. DFS Payroll will stop payment on the warrant once they get the form from the LEA.
2. The net pay of the funds will be transferred back to the LEA by financial transfer.
3. DFS Payroll will remove the Federal and State reported wages (for this payment only).

**LEA RESPONSIBILITY:**

7. Once the funds are received, the LEA will issue a commercial warrant to the beneficiary with a tax type of 02.
8. During January of the following year, the beneficiary will receive a 1099 for the money received via the commercial warrant, and a W-2 will be issued for all previously earned payrolls.

**Scenario 2:** Employee passed in the previous year.

**LEA RESPONSIBILITY:**

1. Change EE taxes to exempt for both Federal and State.
2. Remove any Direct Deposit information for the employee.
3. Pay on a POD. Tell DFS Payroll to pull the warrant and hold for further processing.
4. Complete a Declaration for Replacement of Lost or Destroyed Payroll Warrant form. On the form, mark the box for custodian and have a LEA approver, sign the form.

I declare that I am the  legal owner (or)  custodian of warrant number \_\_\_\_\_,

7. In the reason section, indicate the date of death. Tax handling is different for employees who pass in the current year as opposed to those that pass during the previous year.
5. Send the form to DFS Payroll (scan or fax).

**DFS PAYROLL RESPONSIBILITY:**

1. DFS Payroll will stop payment on the warrant once they get the form from the LEA.
2. The net pay of the funds will be transferred back to the LEA by financial transfer. Any FICA or Medicare taxes withheld, will also be returned to the LEA.
3. DFS Payroll will remove the Federal and State reported wages (for this payment only). DFS Payroll will remove any FICA and Medicare wages (for this payment).

**LEA RESPONSIBILITY:**

7. Once the funds are received, the LEA will issue a commercial warrant to the beneficiary that includes the net pay as well as any FICA or Medicare withheld from the employee's check with a tax type of 02. Employer share of the FICA and Medicare are distributed back to the funds of the LEA by the LEA's Fiscal Department.
8. During January of the following year, the beneficiary will receive a 1099 for the money received via the commercial warrant. No W-2 will be issued in the year subsequent to the employee's death.

**Scenario 3:** Employee passed in the previous year and payroll (example 06S or 06B) was processed prior to notification.

**LEA RESPONSIBILITY:**

1. The LEA informs DFS that the beneficiary has received the funds for a deceased employee in the year subsequent to the employee's year of death. Special processing is required since no W-2 should be issued in the year subsequent to the date of death per the IRS.

**DFS PAYROLL RESPONSIBILITY:**

1. All withheld taxes (Federal withholding, State withholding, FICA and/or Medicare), will be returned to the LEA through a financial transfer.
2. DFS Payroll will remove the Federal and State reported wages (for this payment). DFS Payroll will remove any FICA and Medicare wages (for this payment).

**LEA RESPONSIBILITY:**

2. Once the funds are received, the LEA will issue a commercial warrant to the beneficiary with a tax type of 2 to include only the withheld Federal and State taxes plus the employee share of any FICA and/or Medicare.
3. The LEA will make an entry in the amount of the net pay that was received by the beneficiary into the *"Add Manual Payments by Vendor"* screen in Galaxy.
4. During January of the following year, the beneficiary will receive a 1099 for the money received via the commercial warrant and the added amount of the net pay entered through the manual process. No W-2 will be issued in the year subsequent to the employee's death.