



## 25.70 Payment Methods

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### 25.70.10 Employee payment options

June 7, 2012

There are three ways to pay employees:

- Direct deposit;
- Payroll card, and
- Warrant (check).

Per [RCW 41.04.240](#), institutions of higher education as defined in [RCW 28B.10.016](#) are authorized to require the following payment methods:

- For employees who have an account in a financial institution, payment to any financial institution for either:
  - Credit to the employees' accounts in such financial institution, or
  - Immediate transfer there from to the employees' accounts in any other financial institution.
- For employees who do not have an account in a financial institution, payment by alternate methods such as payroll cards.

Direct [deposit](#) by Automated Clearing House (ACH) into an employee's account is the preferred method for paying employees. This method is generally the least expensive method for disbursing funds electronically.



### 25.70.20 Direct deposit of employee's earnings

July 1, 2011

#### 25.70.20.a Employee Requirements for Direct Deposit by ACH

- The employee is paid through a payroll system participating in an approved program.
- The employee is paid on a regularly scheduled payroll.
- An [employee signed authorization for direct deposit](#) by ACH is on file at the agency. For a sample authorization form, refer to the Office of Financial Management's Payroll Resources website at: <https://ofm.wa.gov/accounting/administrative-accounting-resources/payroll>.
- The employee has an account in either a bank or credit union that has the ability to accept transfers of funds via electronic and other technological means.

#### 25.70.20.b Agency Requirements for Direct Deposit of Employee's Net Pay by ACH

Agencies are to establish procedures that incorporate internal controls to safeguard funds against loss.

An agency's internal controls are to include a positive system of validating the amounts transferred and verifying that the amounts to be transferred to an employee are actually due for work performed or benefits due.

#### 25.70.20.c Payroll System Requirements for Direct Deposit of Employee's Net Pay by ACH

Payroll systems must develop standard procedures that apply to agencies participating in the system. Standard procedures require that the employee receive a "Notice of Deposit" that contains the following information:

- The employee's name.
- The amount of the deposit.

#### 25.70.20.d Requirements for Financial Institutions Used in Direct Deposit Programs by ACH

The bank or credit union is responsible for adherence to federal and state statutes and regulations related to the transfer of funds via electronic and other technological means.

### 25.70.25 Payroll cards for employee's earnings

July 1, 2011

#### 25.70.25.a Employee Requirements for Deposit of Employee's Net Pay by Payroll Card

- The employee is paid through a payroll system participating in an approved program.
- The employee is paid on a regularly scheduled payroll.



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- The practice is voluntary on the employee's part. An [employee-signed authorization for deposit](#) by payroll card must be on file at the agency. The employee must agree to pay any fees associated with the use of the payroll card. For a sample authorization form, refer to the Office of Financial Management's (OFM) Payroll Resources website at: <https://ofm.wa.gov/accounting/administrative-accounting-resources/payroll>.
- In the case of loss or theft of the payroll card, the employee should immediately contact the financial institution that issued the card.

### 25.70.25.b Agency Requirements for Deposit of Employee's Net Pay by a Payroll Card

- Unless specifically authorized by law, agencies wishing to disburse employee net pay via payroll cards **may require OFM approval prior to** implementation. If required, an Economic Feasibility Study must be submitted to OFM. Refer to [Chapter 40](#) of this manual. Contact OST's Cash Management Division regarding available pay card contracts.
- Agencies are to establish procedures that incorporate internal controls to safeguard funds against loss.
- An agency's internal controls are to include a positive system of validating the amounts transferred and verifying that the amounts to be transferred to an employee are actually due for work performed or benefits due.
- The agency must provide the employee written notification that he/she is allowed to cancel the payroll card arrangement at any time with reasonable notice.
- The agency must give written notification of the mechanics of the payroll card plan, including any costs and restrictions before they are enrolled in a payroll card program.

### 25.70.25.c Payroll System Requirements for Payment of Employee's Net Pay by Payroll Card

Payroll systems must develop standard procedures that apply to agencies participating in the system. Standard procedures require that the employee receive a "Notice of Deposit" that contains the following information:

- The employee's name.
- The amount deposited to the payroll card.

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## 25.70.30 Amounts due to deceased employees

June 7, 2018

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When an employee dies, promptly record all amounts owed to the employee in GL Code 5145 "Due to Deceased Employees' Estates." All compensation due to a deceased employee, no matter when earned, is to be held until the surviving spouse, domestic partner registered in the state of Washington or estate has met certain legal requirements. Refer to [Subsection 85.34.30](#) for accounting procedures related to amounts due to deceased employees.



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The term “amounts owed to the deceased” means amounts owed for labor or services performed by the deceased and/or expense reimbursements or allowances.

### **25.70.30.a Cases in which the Court has Appointed a Personal Representative**

If the deceased employee’s estate is in probate (a court action has been filed to distribute the deceased’s estate), and the court has appointed a personal representative, then the entire amount owing to the deceased employee is to be paid to the personal representative (personal representatives may also be referred to as executors or administrators).

The agency is to require a copy of the court order appointing the personal representative before paying the amount due the deceased employee. Generally, orders appointing personal representatives will come from the state superior court. If a tribal court is involved in an inheritance case and an agency is presented with a tribal court order, contact your agency’s OFM Accounting Consultant.

### **25.70.30.b Cases in which no Personal Representative has been Appointed**

If no personal representative has been appointed by a court on behalf of the deceased’s estate, then certain relatives can claim the amount due to the deceased employee. The agency must require proof of the claimant’s relationship to the deceased employee before distributing any of the amounts owed to the deceased to the claimant. This proof is accomplished when the claimant completes the [Claim for Indebtedness of the State of Washington to Deceased Employee form](#). Using the declaration form is easiest for most claimants, particularly those residing out of state, because it does not require the document to be signed in front of a notary public.

The specific relatives who can file a claim for indebtedness are set forth in [RCW 49.48.120](#). They are as follows in the order of priority: the surviving spouse or domestic partner registered in the state of Washington of the deceased; if there is no surviving spouse or [domestic partner](#) registered in the state of Washington of the deceased, then the deceased’s surviving child or children; if the deceased had no surviving child or children, then the deceased’s parent or parents.

Refer to [Subsection 25.70.30.c](#) for instructions involving surviving spouses or domestic partners registered in the state of Washington who have a community property agreement. If none of these relatives survives the deceased, then the state can release the amount owed to the deceased only to the personal representative of the deceased’s estate unless the provisions of [Subsection 25.70.30.d](#) apply.

*Note: Effective July 22, 2011, [RCW 26.60.090](#) authorizes a legal union of two persons of the same sex that was validly formed in another jurisdiction, and that is substantially equivalent to a domestic partnership under state law, to be recognized as a valid domestic partnership and treated the same as a domestic partnership registered in the state of Washington regardless of whether it bears the name domestic partnership. Whenever "domestic partner" is used in this section, refer to this note for clarification.*

*The state of Washington does not permit the creation of common law marriages. Couples must obtain a license and the ceremony must be solemnized in order for the marriage to be valid (refer to [RCW 26.04.050](#)). However, a common law marriage created in another state will be recognized as valid in the state of Washington if the common law marriage was recognized as a valid marriage in the state where created (refer to [RCW 26.04.020\(3\)](#)). The following jurisdictions recognize common law marriages:*



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*Alabama; Colorado; District of Columbia; Georgia (if created before 1/1/1997); Idaho (if created before 1/1/1996); Iowa; Kansas; Montana; New Hampshire; Ohio (if created before 10/10/1991); Oklahoma (if created before 11/1/1998); Pennsylvania (if created before 1/1/2005); Rhode Island; South Carolina; Texas; and Utah.*

If the deceased has multiple surviving children, then the agency can pay only the representative portion of the amount owed to the deceased to a child, absent an agreement signed by all of the deceased's children that the child signing the Claim Form may accept the amount owed to the deceased on behalf of all the deceased's surviving children. For example, if the deceased has three surviving children, and only one child filed a claim form, the agency could pay that child only one-third of the total amount the agency owed the deceased.

A child of the deceased employee who has been declared emancipated under [Chapter 13.64 RCW](#) may still file the claim form for the amounts due the deceased. While children who are minors (under 18) must have a guardian or other legal representative file the claim form on their behalf, an emancipated minor is considered an adult for these purposes.

If the deceased is survived by both parents who are divorced or the domestic partnership registered in the state of Washington has been dissolved – then each must file a claim form and the agency should pay each parent half of the total amount owed to the deceased. If the parents are still married or domestic partners registered in the state of Washington, then either may file the claim form and the agency should pay the entire amount.

### **25.70.30.c Cases Involving a Community Property Agreement (CPA)**

If the deceased and his or her surviving spouse or [domestic partner](#) registered in the state of Washington executed a community property agreement (CPA) and the agreement meets the requirements of [RCW 26.16.120](#), then the right to the amount owed to the deceased becomes the property of the surviving spouse or domestic partner registered in the state of Washington as follows:

1. The agency that employed the deceased must pay the surviving spouse or domestic partner registered in the state of Washington either the total of the amount the state owes the deceased or that portion governed by the CPA.
2. [RCW 49.48.120](#) requires the surviving spouse or domestic partner registered in the state of Washington to present a copy of the CPA along with a properly completed Claim Form (using either the [affidavit](#) or [declaration](#) form) when claiming the amount owed to the deceased. This claim form must state that the CPA was executed in good faith between the parties and had not been rescinded prior to the death of the deceased.

**Note:** The fact that Washington is a community property state is not sufficient. The spouse or domestic partner registered in the state of Washington must have a CPA to qualify for the above payment.



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### **25.70.30.d Cases in which the Estate Consists Only of Personal Property and are Handled through the Affidavit Method Pursuant to Chapter 11.62 RCW**

The agency may also pay the amount owed to the deceased if the claimant, as a successor to the deceased, presents an affidavit as provided for in [RCW 11.62.010](#) and [RCW 11.62.020](#).

The agency must pay the claiming successor the total amount owed to the deceased if the claiming successor presents a copy of the deceased's death certificate **and** an affidavit containing **all** of the following information:

- The name and address of the claiming successor, and that the claiming successor is a "successor" as defined in [RCW 11.62.005](#);
- That deceased was a resident of the state of Washington at the time of death;
- That the value of deceased's property (NOT including the community property interest of the surviving spouse or domestic partner registered in the state of Washington) is not more than \$100,000 and includes only personal property;
- That 40 days have elapsed since the deceased's death;
- That no application or petition for the appointment of a personal representative is pending or has been granted;
- That all debts of the deceased including funeral and burial expenses have been paid or provided for;
- A description of the personal property claimed (here it would be the amount owed to the deceased) together with a statement that such personal property is subject to probate;
- That the claiming successor has notified all other successors of the deceased of his or her claim to the amount owed to the deceased and that 10 days has elapsed since the notice was either personally given or mailed to other successors; and
- That the claiming successor is personally entitled to full payment of the amount owed to the deceased or is entitled to full payment on behalf of and with the written authority of all other successors who have an interest in the amount owed to the deceased.

### **25.70.30.e Missing Employees that are Presumed Dead**

If it has come to the attention of an agency that an employee to whom amounts are owed is missing, and one of the persons listed in [RCW 49.48.120](#) (spouse or [domestic partner](#) registered in the state of Washington, children, parent) is attempting to claim the amounts due to the employee, the agency cannot pay those amounts until it has a certified copy of a certificate of presumed death. Under [RCW 70.58.390](#), a county coroner, medical examiner or prosecuting attorney may issue a certificate of presumed death under certain circumstances.

### **25.70.30.f Processing and Releasing Payment to the Claimant or Successor**

Upon receipt of the documentation required in a, b, d or e above, a copy of the deceased employee's certified death certificate, or certificate of presumed death as required in f above, and an Internal Revenue Service Form W-9 "Request for Taxpayer Identification Number and Certification," the agency shall



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process the payment. The agency shall make the warrant or check payable to the appropriate claimant or successor who signed the claim form and presented the required documentation.

### **25.70.30.g Claimant Must Acknowledge Payment Receipt**

In all instances, the supporting documentation is to be retained by the agency as evidence for release of the warrant or check. In addition, agencies are to require claimants to [acknowledge receipt of payment](#) in writing. A sample receipt form can be found on OFM's Payroll Resources website at: <https://ofm.wa.gov/accounting/administrative-accounting-resources/payroll>.

### **25.70.30.h Federal Employment Taxes Withholding and Reporting Requirements**

The rules for withholding federal income, Old Age and Survivors Insurance (OASI), and Medicare employment taxes and reporting wages (including accumulated leave) paid after death depend on date of death, the type of compensation, and the payment date. Refer to the current Internal Revenue Service (IRS) Publications 15 and 15-A, as well as other regulations for withholding and Form W-2 reporting requirements regarding deceased employees' wages.

Also note, there are IRS Form 1099-MISC reporting requirements for payments to claimant estates or beneficiaries. Refer to the current IRS Publication Instructions for Forms 1099 at: <https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>.

### **25.70.30.i Further Guidance is Available**

For guidelines and procedures on how to process claims of indebtedness of state of Washington to deceased employees, refer to OFM's Payroll Resources website at: <https://ofm.wa.gov/accounting/administrative-accounting-resources/payroll>.

*Claim for Indebtedness of State of Washington to Deceased Employee forms:*

<https://ofm.wa.gov/sites/default/files/public/legacy/policy/affidavitdeceased.pdf>

<https://ofm.wa.gov/sites/default/files/public/legacy/policy/declarationdeceased.pdf>

<https://ofm.wa.gov/sites/default/files/public/legacy/policy/affidavitdeceasedmultiple.pdf>

<https://ofm.wa.gov/sites/default/files/public/legacy/policy/declarationdeceasedmultiple.pdf>