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WHEN AN EMPLOYEE PASSES AWAY: PAYROLL STEPS TO CONSIDER

Losing an employee is a difficult experience for any workplace. While the focus is naturally on compassion and support, employers also have legal payroll responsibilities that cannot wait. Each state has specific rules about how and when final wages must be paid, and who is legally entitled to receive them.

It's important to note that final wages should not be paid directly to the deceased employee. Payment must go to the legal recipient, which is most often the surviving spouse, a designated heir, or the estate's personal representative. This ensures the payment is valid, legally compliant, and properly documented.

HANDLING PAYROLL WITH CARE

We recognize that losing an employee is a challenging time. Alongside the emotional and support needs, there are still payroll requirements that must be addressed. Asking a family for documents like a death certificate or proof of representation can feel uncomfortable, but it is necessary. These documents ensure that final wages are paid to the right person quickly and in compliance with the law.

Here are some general steps for you to take:

Pause direct deposits: If a payroll run is already in process, stop future deposits to avoid funds going to closed accounts.

Ask for documents early: Request a death certificate, executor's papers, or affidavits right away so payment is not delayed.

Communicate with sensitivity: Designate one contact to speak with the family or estate to avoid confusion.

Document everything: Record the date of death, who was contacted, and when payment was issued.

Clarify accrued leave: Review your own policies before deciding if unused vacation, PTO, or sick time must be paid out.

Understand tax rules: Wages earned before death are handled differently from payments made after death.

ACTIONS TO CONSIDER

Every state has its own requirements for final wage payments. To help you navigate these rules we've outlined key payroll steps for Wisconsin, Illinois, Minnesota, North Dakota, and South Dakota. These checklists are designed to give you quick directions when the unexpected happens.

Wisconsin Payroll Checklist

- Confirm date of death and notify payroll team

- Collect death certificate or legal documentation
- Stop direct deposits for future payroll
- Calculate wages owed through the date of death
- Include accrued vacation or sick pay if policy or law requires
- Issue payment to the estate, surviving spouse, or another legal representative
- Follow Wisconsin Admin Code Tax 2.93 for tax treatment of post-death wages
- Review Wisconsin DPM Job Aid for step-by-step guidance

Illinois Payroll Checklist

- Identify the legal representative of the estate or the named beneficiary
- Obtain required documents (death certificate, letters of office, affidavit if applicable)
- Calculate final wages, including any overtime and vacation per company policy
- Pay wages promptly to the estate or representative
- Review Illinois wage payment obligations under the Wage Payment and Collection Act
- Be aware of burial expense requirements in some cases

Minnesota Payroll Checklist

- Confirm if an estate representative has been appointed
- If not, a surviving spouse may request payment directly (Minn. Stat. § 181.58)
- Obtain affidavit of relationship or court documents as required
- Pay all wages and accrued vacation or overtime credits forthwith
- Document acknowledgment of receipt by spouse or representative
- Reference Minnesota statute § 181.58 for full details

North Dakota Payroll Checklist

- Collect the death certificate and identify the surviving spouse or heirs
- Final wages must be paid on the next scheduled payday or within 15 days
- Include accrued vacation or leave if required by policy or contract
- Issue check to spouse, heirs, or estate representative as appropriate
- Review North Dakota wage and hour guidance at nd.gov

South Dakota Payroll Checklist

- Treat death as a separation from employment
- Pay all wages on the next regular payday once the employer's property is returned
- No requirement to pay out unused vacation unless contract or policy specifies
- Issue payment to the estate or legal representative with proper documentation
- Review the South Dakota Department of Labor employment laws guide

This article is provided as a general guide to help navigate payroll steps when an employee passes away. It is not intended as legal advice. Employers remain responsible for complying with all applicable federal and state laws. If you have questions about your specific situation, consult your attorney or legal advisor.