requirements.

James Paille • Jul. 15, 2014

Employee turnover is a fact of life. And when an employee leaves, it's important to keep in mind that different types of employee termination have different payment requirements.

Terminated employees generally fall into one of three categories:

- Voluntary: The employee quit
- Involuntary: The employee was laid off or fired
- Deceased

The requirements for each type of termination vary by state, and you'll need to

involuntary termination requirements here.

Voluntary termination

Many companies assume that all voluntary terminations can be paid with the normal pay cycle, but that's not always the case. For example, California requires voluntary terminations be paid within 72 hours of resignation. Washington DC requires payment on the next regular pay day or within 7 days, whichever is earlier. New Hampshire requires payment within 72 hours if notice is given. Oregon requires immediate payment if the employer is given 48 hours notice. Wyoming requires payment within 5 working days.

I've put together a complete guide to voluntary termination requirements **here**.

Deceased payments

Payments made on behalf of deceased employees can be very complicated. They require the employer to do a thorough investigation of state requirements, which dictate the maximum payment and who must receive it. For example, Georgia and Hawaii limit the maximum payment to $2500 and $2000, respectively. Massachusetts limits payment on behalf of a deceased employee to $100. New Hampshire limits the payment to $500. Rhode Island limits the payment to $150.

You'll also need to take Federal W-2 and 1099 considerations into account. For example, FICA is to be deducted from payments on behalf of the deceased only in the current calendar year. Any future calendar year payments are not subject to FICA. Also, all payments after death must be reported on a 1099 box 3 (FICA if applicable is to be reported on a W-2). The recipient of the payment is usually determined by court order or by state provision; many states have specific rules and orders of survivors.

reimbursement, including Alaska, Arkansas, Arizona, Connecticut, Delaware, Hawaii, Iowa, Idaho, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Montana, North Carolina, Nebraska, New Hampshire, New Jersey, New Mexico, Oregon, South Carolina, Tennessee, Texas, Utah, Vermont, Wisconsin, and West Virginia.

The option to set a company-specific policy comes with one important caveat: precedent equals policy. In other words, if you reimburse one employee for vacation pay, you are then required to reimburse all employees, even if it isn't explicitly stated in a written policy.

Massachusetts and Rhode Island don't require formal written policies. Instead, they allow companies to enter into informal oral or written agreements with employees.

Maryland, New York, and Wyoming have enacted complex, specific vacation pay requirements for terminated employees that are too detailed to go into here. You'll need to check their individual websites to get the latest information.

As with all things payroll, requirements change frequently. So I've found that it's a good idea to check federal and state websites or **Thomson Reuters Checkpoint** for the latest requirements whenever an employee is terminated.

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James Paille, CPP is the Director of Operations for Thomson Reuters' myPay Solutions.

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