FAIRWINDS

Prepare for 2026 Today

Your Year-End Payroll Checklist

It's critical to update your payroll year-end information to ensure you're ready for 2026. This resource includes numerous steps for year-end payroll reporting and taxation, which can help your business transition into a thriving year ahead.

Verify Business Information

- ☐ State and federal employer identification number (EIN)
- ☐ Company name and address
- ☐ State unemployment account number(s)

Set Compensation and Year-End Bonuses

Compensation for Next Year

- ☐ Set expected pay raises for your staff as you prepare your budget for the coming year. The amount you offer may depend on what the law in your jurisdiction(s) requires and what you can afford after factoring in costs such as current employee compensation and payroll taxes.

Bonuses

- ☐ **Cash basis business:** Bonuses are deducted in the year they are paid. For example, if you pay 2025 bonuses in 2026, they are deductible in 2026.
- ☐ **Accrual basis business:** Bonuses declared before the end of the year are deductible for that year if they are paid within 2.5 months after the year ends.
- ☐ **S corporation shareholder-employees:** Bonuses are not deductible until they are paid.
- ☐ **C corporation owner-employees:** A bonus is only deductible when paid if it is for a personal service corporation or for majority owners (more than 50%).

Verify Employee Information and Policies

- ☐ Confirm employee information
  - Full name
  - Social Security number
  - Address
  - Any other contact information
- ☐ Verify and inform employees about unused benefits:
  - Vacation, sick days, or personal leave time
  - Flexible spending accounts (FSAs)
- ☐ Review and update for the next year:
  - 2026 holidays
  - Time-off policies
  - Employee schedules
- ☐ Determine your payroll policies for 2026 and promptly inform your employees.
- ☐ Review the previous year's pay-related reports, such as pay stubs, to ensure all amounts are logged accurately by verifying:
  - Employee wage amounts
  - Benefits deductions
  - Child support or other miscellaneous deductions
  - Disability or other benefits payments
  - Special tax exemptions that may have occurred throughout the calendar year

PAYCHEX®
HR | Payroll | Benefits | Insurance

Verify Necessary Tax Forms

- ☐ **Form W-2:** Reports employee wages and withholdings to the Social Security Administration (SSA).
- ☐ **Form W-3:** Summarizes the information in the W-2 and is submitted with the W-2s to the SSA.
- ☐ **Form 1099-NEC:** A statement of income for contractors who earned over $600.
- ☐ **Form 940:** Used to determine a business's federal unemployment tax (FUTA) and is filed with the IRS by businesses with at least one employee.
- ☐ **Form 941:** A quarterly form used to report wage withholding for income taxes and FICA taxes (Social Security and Medicare), for both the employee and employer.
- ☐ **Form 944:** Applies to employers with an annual tax liability of $1,000 or less in withheld federal income tax and FICA.
- ☐ **Form 1095:** As part of the Affordable Care Act, if you had an average of 50 or more full-time employees, you must file Forms 1094-C and 1095-C with the IRS to report on health insurance coverage offered to full-time employees and their dependents. Self-insured small businesses must file Forms 1094-B and 1095-B to report information on individuals provided minimum essential coverage. Not filing these forms on time could lead to penalties.

Important Reporting Deadlines

Please note that business tax obligations for year-end payroll will vary based on factors like state, business size, and industry. However, most businesses will need to file:

- ☐ An annual business tax return, with a filing deadline that depends on your business structure. The deadline is March 16 for partnerships, multi-member LLCs, and S corporations, and April 17 for C corporations.
- ☐ Forms W-2 and W-3 for each employee by February 2.
- ☐ Form 1099-NEC for contractors by February 2.
- ☐ Form 940 and fourth-quarter FUTA taxes deposited by February 2.
- ☐ Quarterly Form 941 tax return or the annual Form 944 by February 2, depending on when you file.

Note: If the due date falls on a weekend or holiday, the IRS extends it to the next business day.

This publication is designed to provide accurate information as of August 27, 2024, about the subject matter covered. It is furnished with the understanding that Paychex, Inc. is not engaged in rendering legal, accounting, financial, or other professional advice. If legal advice or other expert advice is required, the service of a competent professional should be sought.

Start 2026 Strong

While a lot of the planning can be done in advance, several steps must be completed after the last payroll period of the year:

- ☐ Finalize wage, tax, and benefits information
- ☐ Distribute Forms W-2 to all employees
- ☐ File year-end payroll tax forms with the IRS and deposit taxes owed
- ☐ Review the coming payroll year and start next year's payroll schedule
- ☐ Review any applicable state or local minimum wage changes
- ☐ Inform employees of 2025 IRS changes to tax bracket income ranges so they can update their W-2 information if they want to. These are adjusted annually for inflation.

FAIRWINDS

PAYCHEX®

HR | Payroll | Benefits | Insurance