2026 Payroll Year-End Checklist

Bloomberg Tax

KPMG

October 2026

Form a year-end committee to include:

- ☐ Departments that touch year-end process
- ☐ Service provider representatives

Hold first year-end committee meeting:

- ☐ Review prior year-end issues; current year and upcoming policy changes; and calendar of processing, due dates, and holidays for year-end and the new year
- ☐ Get updates from information technology and human resources information-systems departments on implementing Publication 15-T, *Federal Income Tax Withholding Methods 2026* tables
- ☐ Ensure systems can process most recent version of Form 941 (February 2026 revision date)
- ☐ Confirm which department will complete Forms 1099 for independent contractors
- ☐ Establish method to gather data on qualified tips and overtime for Form W-2 reporting
- ☐ Verify third-party vendor reporting process for Form W-2 inclusion

Preview current-year Forms W-2 and employee data, to include:

- ☐ Verifying Earned Income Credit statement is properly on employee copies
- ☐ Running mock year-end for Form W-2, *Wage and Tax Statement*, with third-quarter data. Verify that:
  - ☐ Negative amounts don't appear in any Form W-2 field
  - ☐ Social Security numbers are verified (identifying employees without SSNs)
  - ☐ SSNs aren't truncated on Copies A or 1, and truncated SSNs on Copies B, C, D, and 2 are formatted correctly
  - ☐ Total wages on mock Forms W-2 reconcile with Form 941, *Employer's Quarterly Federal Tax Return*
  - ☐ Earnings codes properly map to Box 12
  - ☐ Treasury Tipped Occupation Codes map to Box 14b
  - ☐ Bank reconciliations are up to date
- ☐ Look for 2027 Social Security wage base and pension plan limit announcements

November

- ☐ Check whether states and territories have been assessed credit reductions against unemployment taxes
- ☐ Identify, develop, and schedule any unique or special year-end reports
- ☐ Gather facts, calculate income amounts, and impute into pay in November and December noncash fringes under the Special Accounting Rule (e.g., personal use of company car, group-term life insurance, employer-provided health insurance)
- ☐ Collect 2027 information, such as Social Security wage base, deferral limits, and other threshold amounts for the new year
- ☐ Identify any state changes to withholding methods
- ☐ Gather data on employee workplace location changes and state withholding balancing and adjustments for multistate withholding allocations

December

Do:

- ☐ Ensure service providers that are calculating tax withholding are ready for 2027 changes
- ☐ Message employees on requirements to claim exempt tax withholding status for 2027
- ☐ Determine if estimated tax deposits for adjusted payrolls are needed and coordinate with third-party provider
- ☐ Verify that the service provider has been informed of any state unemployment experience notices
- ☐ Test 2027 calculations and Form W-4 self-service changes
- ☐ Request state allocation certificates for multistate employees (e.g., New York Form IT-2104.1)
- ☐ Verify that service providers are using agreed-upon method for tracking qualified tips and overtime compensation
- ☐ Determine how to communicate with employees about qualified tip and overtime reporting and how it is reflected on Forms W-2
- ☐ Verify changes to labor laws that may affect payroll filing in 2027

Don't:

- ☐ Accept any personal checks from employees to be applied to year-to-date tax withholding buckets

Meet with:

- ☐ Information technology and/or third-party providers on implementing withholding changes and all new tax updates
- ☐ Accounts Payable: Request data on payments since last meeting requiring taxation
- ☐ HR/Benefits: Get information on new and updated policies for 2027
- ☐ HR/Benefits: Schedule testing of Form W-2, Box 12, special codes
- ☐ Benefits: Update 2027 benefit deduction tables for new amounts; verify that third parties have updated tables

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January 2027

Verify:

- ☐ Tax withheld using new formulas on first pay for 2027
- ☐ Late-December information (e.g., third-party sick pay) is transferred and managed
- ☐ All payroll bank account reconciliations are up to date
- ☐ All federal, state, and local tax returns balance to summarized tax reports and ongoing reconciliations
- ☐ Consider requesting a Form 941 transcript if amended returns have been filed or credits claimed, to determine what has been processed by year-end
- ☐ Payroll system coding changes for possible substantial revisions to Form 941 in 2027

Review Form W-2 distribution process:

- ☐ With any service provider tasked with distributing and filing the forms
- ☐ For electronic filing with employees, ensure acceptance by employees and send a notice to them when forms are available on secure site
- ☐ To ensure any special state notification of the Earned Income Credit related to Form W-2 filing is adhered to for California, Colorado, Delaware, Illinois, Louisiana, Maine, Maryland, New Jersey, Oregon, Texas, and Virginia

Communicate to employees any changes for the new year, including:

- ☐ Social Security wage base, 401(k) limits, tax rate, withholding, etc.
- ☐ 2027 Form W-4 is required for all new hires and for employees who need to make adjustments

February

Follow up:

- ☐ Message employees (again) about claiming "exempt" from income tax withholding; exempt status must be renewed by Feb. 16 (normally Feb. 15). If a new Form W-4 hasn't been received, update the employee record to single, using standard withholding
- ☐ Follow up with service providers to verify that all returns were filed in a timely manner
- ☐ Ensure any further prior-year returns due in February are filed in a timely manner
- ☐ Determine if any amendments are needed for any periods that will be lapsing in April of 2027

File:

- ☐ All Forms W-2 or equivalents with employees and jurisdictions by their due dates
- ☐ Fourth-quarter Form 941 by Feb. 1 (normally Jan. 31) if balance due; Feb. 10 if no balance due
- ☐ Form 941 Schedule D for mergers or acquisitions in 2026 that created discrepancies between Forms 941 and W-2
- ☐ Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, on same schedule as fourth-quarter Form 941
- ☐ Forms 1099, if Payroll is responsible for task

March

State unemployment insurance:

- ☐ Verify service provider is informed of any state unemployment insurance experience notices
- ☐ Verify that new wage bases and rates are included in payroll system

File:

Any third-party sick pay on Form 8922, Third-Party Sick-Pay Recap, by March 1 (normally Feb. 28)

Year-end debriefing meeting:

- ☐ Discuss successes, failures, and outstanding issues with year-end team
- ☐ Document lessons learned for use in the next year-end season
- ☐ Highlight processes that went well and suggested improvements
- ☐ Celebrate the end of year-end

For more information visit pro.bloombergtax.com/products/payroll or https://kpmg.com/us/en/articles/2026-kpmg-bloomberg-tax-year-end.html

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