WORKFORCE INTEGRITY PARTNERS | FREE RESOURCE

2026 Year-End Payroll Readiness Checklist

Find what will break in January while there is still time to fix it in 2026.

Most January payroll problems start in November and December. Use this checklist to clean up data, reconcile the year, and lock in your deadlines before your final 2026 payroll runs. Check each box as you go.

1. Clean up employee data

Bad data is the number one cause of rejected W-2s and corrected forms.

- [ ] Verify every employee's legal name and SSN match their Social Security card. Use SSA's free Social Security Number Verification Service (SSNVS) for anything that looks off.
- [ ] Update mailing addresses so W-2s reach the right place, including terminated employees.
- [ ] Collect any missing or outdated Form W-4 and state withholding forms (California: DE 4).
- [ ] Flag employees who claimed exempt from withholding in 2026. They must submit a new W-4 by mid-February 2027 or withholding defaults to single with no adjustments.
- [ ] Confirm every terminated employee was paid out correctly and is marked inactive.

2. Reconcile the year

Fix gaps now, not after forms are filed.

- [ ] Tie your Q1 to Q3 Forms 941 to your payroll register. Wages and taxes should match to the penny.
- [ ] Reconcile state quarterly filings to the register (California: DE 9 and DE 9C).
- [ ] Match every federal and state tax deposit to the liability for that pay date. Look for late or missing deposits.
- [ ] Confirm Social Security withholding stopped at the 2026 wage base of $184,500.
- [ ] Confirm Additional Medicare Tax (0.9%) is withheld once an employee's wages pass $200,000.
- [ ] Review 401(k), HSA, and other deferrals against 2026 annual limits.

3. Capture taxable extras before the final payroll

These belong in 2026 W-2 wages. Missing them is how W-2c forms happen.

- [ ] Personal use of company vehicles.
- [ ] Group-term life insurance coverage over $50,000.
- [ ] Gift cards, cash awards, and holiday gifts. Cash and cash equivalents are always taxable, no matter the amount.
- [ ] Stipends and expense reimbursements paid without receipts (non-accountable plans).
- [ ] Health insurance paid for S corporation shareholders who own more than 2%.
- [ ] Year-end bonuses: confirm the pay date, the withholding method, and which year they count in.

4. Get the 2026 changes right

New this year. Check that your payroll system is set up for each one.

- [ ] **Qualified overtime and tips.** Under the One Big Beautiful Bill Act, employers must separately track and report qualified overtime pay (the premium portion required by the FLSA) and qualified tips. Confirm your system is capturing both for 2026 W-2s.
- [ ] **1099-NEC threshold.** For payments made in 2026, the reporting threshold rose from $600 to $2,000. Collect a W-9 from every contractor you paid $2,000 or more.
- [ ] **E-filing.** If you file 10 or more information returns in total (W-2s and 1099s combined), you must file them electronically.
- [ ] **January 1, 2027 updates.** Load new state and local minimum wage rates, exempt salary thresholds (California is tied to the state minimum wage), new unemployment tax rates, and new benefit deductions.

5. Lock in the final payroll and calendar

Holidays and bank closures move your deadlines, not the IRS.

- [ ] Set processing dates around the December 25 and January 1 bank holidays. Wages count in the year they are paid, so the pay date decides 2026 versus 2027.
- [ ] Run a test W-2 preview and review it line by line before the last payroll of the year.
- [ ] Confirm how W-2s and 1099s will be delivered. Electronic delivery requires each person's consent.
- [ ] Save year-end payroll reports, registers, and tax filings in one secure place.

Key deadlines

Put these on your calendar today.

Deadline	What is due (2026 tax year)
February 1, 2027	W-2s to employees and to SSA (with Form W-3). 1099-NEC to contractors and to the IRS. Form 941 for Q4. Form 940. California DE 9 and DE 9C for Q4. *January 31 falls on a Sunday, so these move to Monday.*
February 10, 2027	Forms 941 and 940 if all tax deposits for the period were made on time.
Mid-February 2027	New Form W-4 due from employees who claimed exempt in 2026.
Early March 2027	Form 1095-C to employees, if you are an applicable large employer (50 or more full-time employees).

Want a second set of eyes before January?

Workforce Integrity Partners runs a Year-End Payroll Exposure Check. We review your setup, reconciliations, and 2026 changes, then show you exactly what to fix before forms go out.

Start here: workforceintegritypartners.com/exposure-check
Email: trina@workforceintegritypartners.com

This checklist is an educational resource, not legal or tax advice. Rules and amounts can change. Confirm deadlines and figures with the IRS, SSA, and your state agency before filing. Prepared by Trina Aguirre, Workforce Integrity Partners.