

As you prepare for year-end tasks, payroll becomes one of the most critical areas to review. These payroll tips can help you avoid tax headaches, missed deadlines, compliance issues, and expensive corrections come January. Year-end payroll isn't only about issuing W-2s; it's an opportunity to verify records, update accounts, and set your business up for a smooth start to the new year.

## 10 Payroll Tips

Below is an easy-to-follow guide that highlights the most crucial payroll tasks to complete before December 31. You'll also see how a straightforward oversight can lead to unnecessary costs.

### 1. Confirm Employee Information Is Accurate

Before your accounting team or payroll provider issues any forms, ensure all employee details are correct. Names, addresses, Social Security numbers, and withholding elections must match exactly. Even minor errors can result in rejected filings or costly reissued documents.

**Quick tip:** Compare your software records with recent pay stubs to make sure everything aligns.

### 2. Review Year-to-Date Wages, Withholding, and Deductions

Reviewing year-to-date reports helps catch irregularities in bonuses, benefits, overtime, and pre-tax contributions. This step ensures taxable income is reported correctly.

### 3. Verify Fringe Benefits and Taxable Items

Fringe benefits must be accurately recorded before your final payroll run. Correct reporting ensures [W-2 Boxes 12 and 14](#) are complete. This includes:

- Group-term life insurance over \$50,000
- Personal use of company vehicles
- Holiday bonuses and gift cards
- Relocation reimbursements
- Employer-provided housing
- Health insurance for S corporation owners

### 4. Reconcile Payroll Accounts

Your payroll totals should tie to your general ledger. If they don't, now is the best time to clean things up before tax filings begin. Reconcile:

- Payroll liabilities

- Health insurance premiums
- Retirement plan contributions
- Tax payments
- Wage garnishments

## 5. Confirm All Contractor Payments

Review your payments to independent contractors. Anyone paid \$600 or more generally requires a [Form 1099-NEC](#). Make sure their [W-9](#) is on file and that addresses and EINs are correct.

## 6. Review PTO, Sick Leave, and Accrual Policies

Year-end is a standard time for employees to ask about remaining PTO or rollover rules. Review your accruals to ensure final payroll calculations are accurate. Check for:

- Carryover limits
- Cash-out options
- Policy updates

## 7. Audit Payroll Tax Filings and Deposit Schedules

Late deposits and misfiled tax forms can result in steep penalties. Verify the accuracy and timing of payments for:

- Federal income tax withholding
- Social Security and Medicare
- FUTA
- State unemployment taxes

## 8. Review Retirement Plan Contributions

For businesses offering 401(k) or SIMPLE plans, confirm that all participant contributions and employer matches have been recorded accurately. Double-check contribution deadlines for your plan type.

## 9. Prepare for W-2s and 1099s Early

Run a preliminary W-2 before your final payroll of the year. This extra step helps you catch errors early and avoid January surprises. Review:

- Legal names
- Addresses
- Earnings codes
- Deductions
- Taxable fringe benefits

## 10. Plan for the First Payroll of the New Year

January brings [updated tax tables](#), new [benefit deductions](#), and potential [wage increases](#). Confirm that your payroll provider has applied all new updates so your first 2026 payroll is accurate.

## A Smooth Year-End Starts with Strong Payroll Processes

Getting payroll right at year-end prevents manual corrections, reduces penalties, and provides clarity heading into January. If you'd like help reviewing your records, preparing employee forms, or strengthening your payroll workflow, our [accounting and tax team](#) is here to support you.