

End-of-year payroll checklist

Payroll operations personnel

This checklist serves as a structured framework and comprehensive guide for year-end payroll activities. It is designed to streamline activities, ensure timely execution of responsibilities and reduce compliance risk during the annual closeout period.

Payroll Operations is responsible for executing and validating all payroll activities during year-end. This includes finalizing payouts, reconciling data, preparing tax forms, and ensuring compliance with federal, state, and local regulations. The team coordinates with HR, Finance, and Compensation to ensure accurate reporting and timely communication with employees. This role is critical to maintaining trust and mitigating the risk of penalties.

Checklist

Time frame	Activity	Description	Data required
Early October – November	Reconcile payroll records	<input type="checkbox"/> Verify year-to-date (YTD) totals for wages, taxes and deductions by conducting a W-2 preview to identify variances.	<input type="checkbox"/> Payroll register reports
		<input type="checkbox"/> Reconcile payroll system data with general ledger and bank records	<input type="checkbox"/> GL entries and bank statements
		<input type="checkbox"/> Confirm that payroll is aware of all taxable fringe benefits (e.g., company cars, relocation, group-term life insurance, etc.) and develop a plan to ensure they are captured in the payroll prior to year end.	<input type="checkbox"/> Employee-level YTD summaries
			<input type="checkbox"/> Earnings and Deduction balances
			<input type="checkbox"/> W-2 preview
		Compliance notes: <ul style="list-style-type: none"> Discrepancies must be resolved before W-2 generation Supports IRS and SSA audit readiness 	
November – mid-December	Verify employee information	<input type="checkbox"/> Ensure accuracy of names, SSNs, addresses, and tax withholding elections in preparation of W-2s	<input type="checkbox"/> Employee master file
		<input type="checkbox"/> Confirm that appropriate state withholdings have occurred for traveling employees	<input type="checkbox"/> W-4 forms and state tax forms

Time frame	Activity	Description	Data required
		<ul style="list-style-type: none"> <input type="checkbox"/> Validate any changes in marital status, dependents or state residency <input type="checkbox"/> Validate terminated employees and rehires <input type="checkbox"/> Validate correct classification (exempt/non-exempt) <input type="checkbox"/> Finalize who will receive electronic vs. paper W-2s by reminding employees about electronic approvals. <p>Compliance notes:</p> <ul style="list-style-type: none"> • Incorrect SSNs or names can trigger SSA rejections and penalties • Address accuracy affects W-2 delivery and state filings 	
Last scheduled payroll in December	Process final payroll of the year	<ul style="list-style-type: none"> <input type="checkbox"/> Include any year-end bonuses, commissions or adjustments <input type="checkbox"/> Apply correct tax treatment for supplemental wages <input type="checkbox"/> Ensure final deductions (e.g., benefits, garnishments) are applied <p>Compliance notes:</p> <ul style="list-style-type: none"> • Supplemental wage withholding may be required. • Final payroll must be processed before W-2 cutoff 	<ul style="list-style-type: none"> <input type="checkbox"/> Bonus and incentive payout files <input type="checkbox"/> Time and attendance records <input type="checkbox"/> Deduction schedules
December – early January	Audit payroll tax liabilities	<ul style="list-style-type: none"> <input type="checkbox"/> Reconcile federal, state and local tax payments <input type="checkbox"/> Identify underpayments or overpayments <p>Compliance notes:</p> <ul style="list-style-type: none"> • Underpayments must be corrected before filing • Overpayments may be credited or refunded 	<ul style="list-style-type: none"> <input type="checkbox"/> Tax deposit history <input type="checkbox"/> Payroll tax reports <input type="checkbox"/> Bank records
Late December – early January	Update payroll system for new year	<ul style="list-style-type: none"> <input type="checkbox"/> Load new tax tables and benefit limits (e.g., Social Security wage base, 401(k) limits) <input type="checkbox"/> Reset PTO accruals and balances <input type="checkbox"/> Review and update deduction schedules and open enrollment results <p>Compliance notes:</p> <ul style="list-style-type: none"> • Must be completed before first payroll of the new year • Failure to update limits can result in over withholding or compliance violations 	<ul style="list-style-type: none"> <input type="checkbox"/> IRS and state tax updates <input type="checkbox"/> Benefit plan documents <input type="checkbox"/> Payroll system configuration files

Time frame	Activity	Description	Data required
Jan. 31	Generate and distribute Form W-2	<input type="checkbox"/> Review the final draft W-2s and conduct a reconciliation to the tax registers <input type="checkbox"/> Draft payroll tax returns <input type="checkbox"/> Print or electronically distribute W-2s <input type="checkbox"/> File copies with the Social Security Administration (SSA) as well as any required state/local agencies.	<input type="checkbox"/> Employee master file <input type="checkbox"/> YTD payroll data <input type="checkbox"/> Benefit and deduction records
Jan. 31	File annual federal unemployment tax return	<input type="checkbox"/> Prepare necessary data for Federal Unemployment Tax Act (FUTA) taxable wages and applicable tax withheld during calendar year <input type="checkbox"/> Apply credit reduction rates (if applicable) <input type="checkbox"/> File Form 940 and submit payment Compliance notes: <ul style="list-style-type: none"> • Due Jan. 31 • Applies to first \$7,000 of each employee's wages • Employers typically pay 0.6% after state credit 	<input type="checkbox"/> Payroll totals subject to FUTA <input type="checkbox"/> State unemployment tax payments <input type="checkbox"/> Employer EIN and business info
Jan. 31	File quarterly federal tax return	<input type="checkbox"/> Report Q4 wages, tax withholdings, and employer taxes <input type="checkbox"/> Prepare and file Form 941 <input type="checkbox"/> Confirm deposits match liabilities Compliance notes: <ul style="list-style-type: none"> • Due Jan. 31 • Errors can trigger IRS notices 	<input type="checkbox"/> Q4 payroll register <input type="checkbox"/> Tax deposit records <input type="checkbox"/> Adjustments for sick pay, tips and fringe benefits
Jan. 31	File state and local tax reports	<input type="checkbox"/> Varies by jurisdiction; submit state W-2s with annual reconciliation forms, unemployment reports and income tax filings (state and local) <input type="checkbox"/> Confirm deadlines and electronic filing requirements <input type="checkbox"/> Reconcile state wage and tax totals Compliance notes: <ul style="list-style-type: none"> • Deadlines vary by state but most are Jan. 31 • Some states require separate W-2 filings (e.g., Pennsylvania, New Jersey) 	<input type="checkbox"/> State-specific payroll data <input type="checkbox"/> Employer registration numbers <input type="checkbox"/> Local tax jurisdiction codes

Managing global complexity

For companies with globally mobile employees, the end of year is a critical period in ensuring compliance with payroll reporting and tax obligations. Many businesses reconcile income, reporting and tax withholding to address the compensation complexities related to mobile employees that occur during the year. Payroll teams should take steps to address compliance for the following employees.

Employee type	Compliance activities
International assignees	<ul style="list-style-type: none"><input type="checkbox"/> Company-provided assignment benefits such as accommodation, allowances and home leave travel should be imputed into income. Commonly the company is responsible for the tax due, so a tax gross up should be calculated on these benefits.<input type="checkbox"/> Where employees are tax equalized, tax payments made in the country the employee is working will also need to be included. It's also an opportunity to determine what amount of tax needs to be paid on their total income and recalculate gross ups for federal, state and local taxes.
Permanent relocations	<ul style="list-style-type: none"><input type="checkbox"/> As with international assignees, include in income benefits provided related to their relocation.<input type="checkbox"/> Ensure that compensation data is complete.<input type="checkbox"/> Payments and benefits provided via third-party vendors should be captured and reported.
Business travelers	<ul style="list-style-type: none"><input type="checkbox"/> Many employees traveling to the U.S. from overseas may not be taxable under the terms of a double tax treaty. They don't require reporting and tax withholding operating in payroll, but that doesn't mean there are no compliance requirements to meet. Companies should report the income not subject to payroll reporting on Form 1042-S and provide this to the employee.

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