

Prepare for 2025 Today With Our

# Year-End Payroll Checklist



It's critical to update your payroll year-end information to ensure you're ready for 2025. This resource includes numerous steps for year-end payroll reporting and taxation, which can help your business prepare to have 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

- If you are a cash basis business: Deduct the bonuses in the year in which they are paid. If you pay bonuses in 2024, they're deductible for 2024. If you pay 2024 bonuses in 2025, they're deductible in 2025.
- If you are an accrual basis business: Bonuses declared (and accrued) before the end of the year are deductible this year if they are paid within 2 1/2 months after the close of the year (provided that the employee is only required to be employed on the bonus declaration date and not on the bonus payment date). However, bonuses paid to S corporation shareholder-employees are not deductible until paid. For owner-employees in a C corporation, the bonus is deductible only when paid in the case of a personal service corporation or for the majority (more than 50 percent) owners.

## Verify Employee Information and Policies

- Confirm each employee's identifying information, including the following:
  - Full name
  - Social Security number
  - Address
  - Any additional contact information
- Verify and inform employees about unused benefits, including:
  - Vacation, sick days, or personal leave time
  - Flexible spending accounts (FSAs)
- Review and update the following for next year:
  - 2025 holidays
  - Time off policies
  - Employee schedules
- Determine payroll policies for 2025 and promptly inform your employees of them.
- Review the previous year's pay-related reports, such as pay stubs, to ensure that 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

## Verify Necessary Tax Forms

- Form W-2:** Reports employee wages and withholdings to the SSA.
- Form W-3:** Summarizes the information in the W-2. This is submitted with W-2s to the SSA.
- Form 1099-NEC:** A statement of income (any wages over \$600) for contractors.
- Form 940:** Filed with the IRS by businesses with one or more employees, and used to determine the employer's federal unemployment tax (FUTA), which is based on the business's annual payroll.
- Form 941:** Due quarterly and used to report wage withholding for income taxes as well as the employees' share of Social Security and Medicare (FICA) taxes, and the employer's share of FICA.
- Form 944:** Applies to employers with annual tax liability who withheld federal income tax and FICA (employee and employer share) totaling \$1,000 or less.
- Form 1095:** As part of the Affordable Care Act, generally, if you have an average of 50 or more full-time employees, including full-time equivalents, during the preceding calendar year, you must file Forms 1094-C and 1095-C with the IRS on health insurance coverage offered to full-time employees and their dependents. If self-insured, they must also provide information on individuals enrolled in coverage. Self-insured small businesses must file Forms 1094-B and 1095-B to report information on individuals provided minimum essential coverage. Failure to file these forms with the IRS or furnish Forms 1095 to applicable employees in a timely manner could lead to information reporting penalties.

## Important Reporting Deadlines

Please note: Business tax obligations for year-end payroll will vary by state, business size, industry, and several other factors, but most businesses will be required to file:

- An annual business tax return, with a filing deadline that depends on your business structure (March 17 for partnerships, multi-member LLCs, and S corporations; April 17 for C corporations)
- Forms W-2 and W-3 for each employee by Jan. 31
- Form 1099-NEC for contractors by Jan. 31
- Form 940 and fourth quarter FUTA taxes deposited by Jan. 31
- Quarterly Form 941 tax return or the annual Form 944 by Jan. 31, depending on when you file



### Avoid Costly Fines With Our Compliance Calendar

Refer to our compliance calendar for the due dates to help your business stay compliant.

[Download Now](#)

## Start 2025 Strong

While much of the planning and organization on your payroll year-end checklist can be done in advance, several important steps must be completed after the final 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 initiate next year's payroll schedule
- Review applicable state/local minimum wage changes
- Inform employees of 2024 IRS changes to tax bracket income ranges — adjusted annually for inflation — so they can update their W-2 information, if desired

## Finally, someone in your corner.

From year-end compliance support or answers to your smallest HR questions, Paychex is by your side with dedicated compliance experts to help your business.

This publication is designed to provide accurate information as of Aug. 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.