Employer's guide to switching payroll software mid-year

Authored by Jon Davis
Reviewed by Kirsten Schmitt

Table of Contents

Why making a mid-year payroll software switch makes sense

Many organizations use mid-year to evaluate the vendors they work with, and if any fall short of expectations, they may decide the time is right to move on. For example, some businesses use the mid-year point to determine whether the payroll software they use to pay employees is meeting all of their needs. Though switching payroll providers is a move you can make at any time of the year, we've found that the months of June and July can be popular with business owners.

1 Why do some employers switch payroll software mid-year?

The reasons for a company's payroll migration in the middle of the year vary. They may range from a provider making errors that affect a company's daily operations to it being the time of year when a company begins to budget for new purchases. Here are some other considerations that may have organizations thinking it's time for a new vendor:

- Their current provider is making too many mistakes.
- Integrations don't meet their current needs, or they start using a new tool in the middle of the year that the current software doesn't integrate with.
- The current software platform does not include HR functionality to handle back-office tasks such as paid time off requests.
- In some cases, the employees do have access to a self-service system for perks such as PTO, but find it difficult to use.
- Some companies begin their fiscal year in the summer. If they are migrating to a different payroll software, they have a timeline in which they will research tools in March or April and budget for spending in June or July.
- Customer service is lacking — emails go unanswered, or it takes too long to troubleshoot issues.

Over 50%

of small businesses use payroll software to manage paying employees.

Source: OnPay 2025 Small Business Outlook

2 Things to keep in mind before your mid-year move

- It's a good idea to confirm the new vendor is able to support the various departments, pay groups, or pay frequencies that your organization uses.
- Make sure that the new provider has access to all the correct historical information about your company, or that they have the ability to pull the necessary data from your previous provider.
- If you have many employees or might add new hires as mid-year approaches, have your employee information ready 30 to 60 days before moving.
- Confirm that your new provider accounts for and administers all payroll taxes correctly. When migrating, most will review previous taxes from past quarters for accuracy.

Over 70%

of small businesses rely on customer reviews and testimonials to guide their payroll software choice.

Source: OnPay 2025 Small Business Outlook

- When moving, you'll still need to make sure tax filings from early in the year are handled by the provider you were using at that time. Don't just count on it — better to be safe than sorry.
- Check if the vendor handles your industry's needs. For example, some payroll software companies don't file Form 943 for agricultural businesses. OnPay does, but not all providers do.
- Employers often need a window of time when switching from their previous provider to the new one, usually to complete a final pay run and avoid downtime when paying employees.
- Most modern software platforms should offer an employee self-service portal where day or night workers can view pay stubs, update personal information, and access tax documents.

There's a lot to consider when searching for a tool to pay employees. To see how the vendors stack up we have a resource that makes it easy to compare payroll services with a few clicks.

3 Get data ready to be migrated

Making sure information gets from point A to point B properly — and securely — is one of the most important parts of moving to a new payroll software company. That's because whoever you choose to work with is going to need employee data and year-to-date (YTD) payroll. YTD payroll is the amount of money your company has spent on payroll since the start of the calendar or fiscal year. This will be important so that tax forms, other documents, and records are accounted for as year-end approaches. Below is a table with information that's likely to be a big part of this transition process.

Information needed to switch payroll providers

Get this data ready around 30 days before moving to your new vendor.

- Staff list with Social Security numbers and mailing addresses for all employees. This will be critical when tax time comes around and W-2s or 1099s need to be prepared.
- Any employee garnishments and supporting documents.
- Current year copies of Form 941 payroll filings — the current vendor should be able to share these with you.
- Direct deposit information for workers, if you're paying employees this way.
- State unemployment rates for all states that you report to.
- Accrual policy and balances.
- W-4s for all employees — these were likely completed during the onboarding process when new employees were hired.
- Any employee deductions should be accounted for in the new system.
- Bank account information for your company.
- Company tax identification (tax ID numbers).
- Year-to-date payroll summary by employee and by quarter.
- Special or additional compensations, like different pay rates, tipped wages, clergy housing, shareholder insurance.

4 Questions that should be asked and answered

When considering a new payroll provider, ask the following questions to ensure a smooth transition for your business during a mid-year switch.

- Will the new provider own the actual process of importing your employees' historical payroll data into the new system? Remember, this likely isn't going to happen through an API or synchronization between the current system and the new vendor. In other words, there's probably no one-click magic button that moves everything over — it is very much a manual process.
- Does the new provider offer integrations with other systems you use, and can they confirm with you before making any changes?
- Does the new provider offer training so that you can see how everything works?
- What type of support do they offer?
    - For example, will you mostly communicate via email?
    - If you prefer speaking with a customer service rep, do they offer phone support?
    - Or live chat if you prefer to get answers this way?
    - If they are not available, will they have a help center where you can get most of your questions answered?
- Will you have a dedicated account team that is easy to reach?
- Do you want your new provider to process your files?
- Does the new provider offer additional resources for you to make sure that you are getting the most out of your investment?
- Does the new provider have an all-in-one system for all payroll services?
- Who will be processing your files?

These last two questions have much to do with the implications of when you start processing payroll. Knowing what taxes have been submitted to the agencies — and what's left — is an important consideration.

Beginning of the quarter

There's usually less to worry about because you start fresh with all your tax filings.

Mid-quarter

Is more of a half-and-half scenario. In other words, your current provider will collect some taxes and submit them to the appropriate tax agencies. At the same time, your new provider will also collect and handle some.

80%

of business owners look for a payroll provider that integrates with accounting software.

Source: OnPay 2025 Small Business Outlook

5 Pay stubs should be a priority

Another task that you'll want to take care of when making a payroll software swap in the middle of the year is getting all of your employees' previous pay stubs and tax documents organized. The new provider is going to need these, and there's not really a way to automatically sync the current account with the new vendor.

In addition to pay stubs, the company you are moving to will also be without access to W-2s, W-4s, or 1099s processed through your former provider. Your employees will often need these for their own tax filings or additional recordkeeping. Collect all of these documents from your previous provider or set up a clear line of communication with them to allow employees to access them. If you plan on moving on in the middle of the year, be sure to outline the distinction between the two providers to your employees so that they understand where to find their relevant paperwork.

If you are curious how OnPay compares to others in the market, see the table below.

How businesses see OnPay versus other providers

OnPay vs. Paychex

OnPay vs. Gusto

OnPay vs. ADP

OnPay vs. QuickBooks

5 During the switch

Communication is key

It can be a good idea to give employees advance notice before making a change, as it may take them some time to get used to the idea of a new system. For instance, the process for requesting paid time off might work differently, and workers will need to find their earnings information in a new place. To communicate the change, you can share the news through a company-wide email or instant messaging system (if you use one). Better yet, consider a "town hall" style meeting where an HR team member or payroll administrator shares their computer screen so that employees can see what the new platform looks like, and always leave time for questions.

Dive into the data

Give yourself time to review data in your employees' profiles, such as prior wages, and be sure to look at SUI rates for your state. Once you review all the pay items and deductions, and something seems off, at that point the provider should immediately help you with changes or corrections. It's much harder to do this type of "data snapshot" once you start running payroll, so don't let this fall by the wayside.

Get past this mishap

Don't forget to send a "missing" payroll to the new provider you're working with. In other words, you'll want to share any last payroll you have run with the previous provider. Think of this as the "in-between" time or small gap between closing out your old service, and moving to the new one. Why do we point this out? It's to make sure that all the previous payrolls are accounted for. In our experience, you want to ensure that the new provider has this information. When they start processing live payrolls, everything picks up at the right "taxation point," so all the numbers sync up. Moving forward, this helps to make sure taxes are in the right quarters, and all Social Security maximums are correct. Remember, you don't know what you don't know (and neither will the new provider). Share as much information as possible to keep disconnects to a minimum.

Keep an eye out

Be on the lookout for emails, calls, and follow-ups after you sign up with your new vendor and move all the information from point A to point B. During the switch, there's going to be an onboarding team and specialists making sure that everything is set up correctly so you can hit the ground running. If they are calling or reaching out, there's likely a reason they need to speak with you (or may need additional information).

86%

of small businesses share that top-notch customer support is a must when choosing a payroll software.

Source: OnPay 2025 Small Business Outlook

Bring up employee benefits

Are you thinking about setting up benefits like a retirement plan or health insurance, or are you just unsure about your state's compliance requirements? See if the new provider will be able to provide proper guidance. For example, almost every state requires businesses to have workers' compensation insurance in place. Furthermore, more than a dozen states require employers to provide their employees with a way to save for retirement — or have laws in the works to do so. It could be worthwhile to see if they can help set up retirement savings plans like a 401(k). Also, if providing health insurance has been on your mind, but your current vendor isn't able to help, this could be your chance to get that squared away. The takeaway is that using your mid-year move to get a benefits program together can make sense.

Special taxation is a reason to switch

Another reason why organizations use the midpoint of the year to switch is because there are tax considerations that their current provider is unable to assist with. For example, shareholder insurance is taxed differently than W-2 wages. Clergy housing is not taxable, but must be reported on W-2s, and not every payroll company can properly account for this. Is it easy to mark clergy members as exempt from Social Security and Medicare taxes (FICA) when running payroll? Is your company FUTA or SUTA exempt, and is your current provider able to handle the calculations? Depending on your needs, it could be time for a company to switch because they have a more sophisticated setup that their current provider is unable to address.

No matter when you want to switch — we're here to help

Though moving to a new payroll provider can seem overwhelming, a little preparation can go a long way. No matter when you decide that the time is right to migrate to a different vendor, our team can help you every step of the way. Good luck as you research different options — our team is excited to help and make this transition as smooth as possible.

Make the switch today to OnPay by visiting **OnPay.com/get-started**

→