



# Accountant's guide to switching payroll software at year-end

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## Why a fresh start can pay off

For accounting professionals, switching payroll companies can mean more than a fresh start. Maybe you have small business clients who need help setting up employee benefits, but your current provider doesn't have a benefits team. Or perhaps you're looking to add client accounting services (CAS) to your firm's offerings and finding that your payroll platform makes it hard to access the data you need to help clients. Whatever the reason, year-end is when many accounting pros decide to make a move.

## Why accountants switch payroll software at year-end

For many firms, year-end is when they review budgets, staffing, and operations – so it's often the perfect time to evaluate their payroll provider. The end of the year offers a clean break: you close one tax year cleanly, start fresh on January 1, and avoid the headache of migrating partial-year wage data.

Additionally, an end-of-year switch has other advantages for accounting practices.

- **Provider promotions:** Many payroll companies offer year-end incentives or deferred billing that firms can take advantage of.
- **Client readiness:** Clients are preparing W-2s, bonuses, and benefit changes, so it's natural to update systems at this time.
- **Operational review:** Firms can assess whether their provider still meets their needs as they grow CAS or add advisory services.



## Did you know?



# 40%

of accounting practices provide tax credit assistance to their clients

Source: OnPay 2025 Accounting Survey

## Evaluating your current provider

Before you switch, take a step back to assess how your current system supports your clients and your practice. Ask yourself:

- Can the platform accommodate special client needs, such as clergy housing, multi-state payroll, or FUTA exemptions?
- Are you able to easily access and analyze payroll data to inform advisory work?
- Is support responsive and knowledgeable — or nowhere to be found when issues arise?
- Does the provider's pricing align with the value you receive?

If you're finding more friction than support, it may be time to make a change.



## Preparing client data for a smooth transition

Oftentimes, preparation is what makes or breaks a payroll switch. Gathering and verifying data ahead of time ensures a clean import and a stress-free January.

- Organize employee lists for each client, including Social Security numbers, W-4s, and direct deposit information.
- Export quarterly filings (Forms 941, state returns) and confirm all client tax IDs.
- Verify deductions, benefit contributions, and garnishments. Check that each client's state unemployment (SUI) rate is correct.

Another way to think about it? Anything you don't want to input twice should be verified once – now.

## What to keep in mind during your year-end move

Even with the timing advantages of a year-end switch, there are still a few key considerations to think through as you evaluate new providers.

- **Pay schedules and flexibility.** Your clients likely pay employees at different intervals - weekly, biweekly, semi-monthly. Make sure your new provider can handle various pay groups, departments, and frequencies without forcing you into a one-size-fits-all approach.
- **Historical data access.** Confirm how historical payroll data will transfer. Meaning, will you need to migrate it yourself, or does the new provider handle the heavy lifting? And if they do, is there a cost involved? It's worth asking upfront.
- **Previous quarter filings.** Remember, tax filings from earlier in the year still belong to your previous provider. It isn't safe to assume they'll automatically handle amendments or notices - confirm the handoff process before migrating.
- **Industry-specific needs.** If you work with clients in specialized industries, verify that the new platform can handle their requirements. For example, agricultural clients need Form 943 support. While some payroll companies like OnPay offer it, not all do.



- **Tax accuracy and migration:** Payroll taxes need to be rock solid. Your new provider should be able to review previous quarter data to ensure accuracy when migrating. Double-check that they can handle your clients' full tax picture, including multi-state filing if needed.
- **Transition timing:** Will there be any gap between providers? You'll want to ensure employees get paid on time during the switch - which might mean keeping your old system active for one final pay run.
- **Employee self-service:** Most modern platforms include employee portals where your client's workers can view pay stubs, update personal information, and access tax documents 24/7. If your current system doesn't offer this feature, be sure to check if the new one does.

## Information needed to switch payroll providers

Have the data below ready to go before transitioning to your new vendor at year-end.

<ul style="list-style-type: none"> <li>✓ Staff lists with SSNs and mailing addresses for all client employees – critical for preparing W-2s and 1099s.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Year-to-date payroll summaries (by employee and quarter) for each client.</li> </ul>
<ul style="list-style-type: none"> <li>✓ W-4 forms for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Current-year copies of Form 941 filings – available from the previous provider.</li> </ul>
<ul style="list-style-type: none"> <li>✓ Direct deposit information (routing and account numbers).</li> </ul>	<ul style="list-style-type: none"> <li>✓ SUI rates for all states where clients report wages.</li> </ul>
<ul style="list-style-type: none"> <li>✓ Employee garnishments and documentation.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Client tax IDs (EINs, state, and local).</li> </ul>
<ul style="list-style-type: none"> <li>✓ Any special compensation – multiple pay rates, tips, bonuses, clergy housing, shareholder insurance.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Client PTO accrual policies and balances.</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Employee deductions and employer contributions.</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Client bank account information for payroll funding.</li> </ul>

## Communicating the change to clients and employees

Communication builds trust during a transition. Encourage your clients to announce the change early and walk employees through what's new. It can be a good idea to provide simple, clear instructions for:

- Accessing pay stubs and tax forms in the new system.
- Retrieving historical pay data from the old system.
- Using new portals or mobile websites for PTO requests and updates.
- A short "what to expect" email from your client to employees can prevent confusion later — and shows proactive planning.





## Post-implementation review

After the first payroll run in January, do a quick performance check.

- Confirm payroll and tax amounts processed as expected.
- Verify reporting and data accuracy.
- Gather feedback from clients or staff to catch small issues early.

## Special taxation is a reason to switch

Sometimes, it's not about timing at all — it's about complexity. Accounting practices often switch payroll providers when their current system can't properly handle specialized client tax situations, such as:

- Clergy housing allowances that are reported but not taxed.
- Shareholder insurance that's taxed differently from wages.
- FUTA or SUTA exemptions.

If your provider struggles with these cases, relies on manual workarounds, or simply does not offer the capability, consider upgrading. A good payroll system should simplify specialized tax handling, not complicate it.

## Year-end insights worth sharing

These insights from Marit Burmood, CPA, Enrolled Agent, and small business coach can spark meaningful conversations and further highlight your firm's advisory expertise.

- 1. Start year-end by giving clients clarity.** Clean financials help you spot issues early and guide smarter decisions.
- 2. Use asset purchases as a teaching moment.** A quick check-in can prevent unnecessary spending and strengthen your role as a trusted advisor.
- 3. Talk through asset sales before clients move ahead.** Understanding potential tax impacts builds confidence and deepens trust.
- 4. Walk clients through how timing affects income.** Showing them the levers they can pull elevates your guidance beyond compliance.
- 5. Help clients plan expenses with intention.** When they understand timing rules, they rely on you for year-round strategic decisions.



Marit Burmood, CPA  
& Enrolled Agent

## Year-end payroll checklist

As your clients wrap up the year, the following payroll and HR tasks are worth a quick check. They'll help the small businesses you support stay compliant and ease into 2026 smoothly.

- Encourage bank and credit reconciliation.** Monthly reconciliations help detect fraud and catch accounting errors. If clients fell behind, help them get statements reconciled before 1/1/26.
- Analyze aging accounts receivable.** Review the client's A/R aging report and focus on past-due/delinquent invoices. Issues may stem from incorrect matching, duplicate billing, or stalled collections. Schedule time before 12/31 to resolve discrepancies.
- Perform inventory counts by 12/31.** Schedule physical inventory counts on or near 12/31 to capture accurate year-end quantities, support COGS calculations, and identify areas needing adjustment.
- Books clean-up and pre-tax preparation.** Review P&L and balance sheet sub-accounts for accuracy. Confirm fixed asset additions/disposals, reconcile applicable balance sheet accounts, and resolve remaining questions with the client before year-end.
- Send year-end receipt reminders.** Small businesses often assume bank statements suffice, but the IRS requires detailed receipts to support business expenses. Remind clients to gather missing documentation.
- Complete payroll entries by year-end.** Ensure all contractor payments, W-2 earnings, and bonuses are completed before 12/31/25. Confirm client W-9s are on file for all contractors to prepare 1099s.



- Submit all bonus payroll entries.** Bonus payrolls may need extra processing time due to IRS Next-Day Rules and direct deposit limits. Encourage clients to submit entries early so they're processed in 2025.
- Pay attention to fringe benefits.** Taxable benefits — such as gym memberships, gift cards, or personal use of a company car — must be recorded in your client employees' payroll history before year-end.
- Record employer healthcare contributions.** Have clients request annual employer/employee premium totals from their insurance provider. Amounts report employer-paid premiums on workers' W-2s.
- Review reasonable compensation.** For S Corp clients, confirm reasonable compensation meets IRS standards. Unreasonably low salaries compared with distributions can trigger penalties or back taxes. RCReports can assist with this analysis.
- 2026 state and federal updates.** Review January 1 changes like minimum wage increases, unemployment insurance rate updates, and new paid leave laws with clients. Ensure payroll systems are updated before the first 2026 pay run.
- Postmark year-end forms by 2/2/26\*.** W-2s and 1099-NEC forms must be furnished and filed by 2/2/26. Remind clients mailed forms must be postmarked by that date. Ensure Form W-3 accompanies W-2s and Form 1096 accompanies 1099s to avoid penalties.

\*Because January 31 falls on a weekend in 2026, the deadline shifts to the next business day: February 2. Filing early is still the best way for clients to stay on track.

## Partner with OnPay for an easy transition

Switching payroll software doesn't have to be stressful. The right provider will guide you through data migration, setup, and onboarding — at no extra cost. Our team understands that year-end is one of the busiest times for accountants. We'll help make the switch seamless so you can focus on what matters most: supporting your clients.

Are you ready to simplify? Try OnPay free for 30 days and see why thousands of small business owners trust us to handle their payroll with confidence.

*This eGuide is intended for general informational purposes only and does not constitute tax, legal, or accounting advice. Payroll requirements, tax laws, and regulations vary by jurisdiction and may change over time, and payroll provider processes can differ.*

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