ENGAGE PEO

Client Alert

Bi-weekly and Weekly Pay Cycles; Extra Pay Periods in 2026

WHAT'S NEW: This year, **for employers on a bi-weekly pay cycle with a Friday pay date**, employees will receive 27 paychecks instead of the usual 26.

For employers on a **weekly pay cycle with a Friday pay date**, employees will receive 53 paychecks instead of the usual 52.

WHY IT MATTERS: The extra paycheck has the potential to affect employers as well as employees in the following ways:

Budgeting Concerns: If employers do not prepare for the extra pay date in 2026, exempt salaried employees will receive an annual salary greater than what was agreed upon.

For example, an employee set to earn $52,000 per year under a typical bi-weekly 26 pay cycle system, will receive gross pay of $2,000 per paycheck. By adding a 27th pay date, this employee will end up receiving a total of $54,000 in 2026. Depending on how many exempt salaried employees an employer has, this could have a large economic impact.

Options and Considerations

- Employers can continue as usual and provide an extra paycheck.
- Employers can prorate the amount the employee will receive each pay period going forward to account for the extra check. Some things to keep in mind if choosing to prorate the employee's pay:
  - **A salaried exempt employee may not be paid below the federal or state exempt salary weekly pay threshold.** See here.
  - Several states require that employers provide advance written notice for any changes to compensation, pay cycles or deductions.
  - Be aware of any language in offer letters or employee contracts that may create additional notice requirements or pre-requisites prior to making changes to pay.
- **Deductions and Benefits Plans:** Understand the terms of the various benefit plans to determine whether adjustments to deductions are necessary. For health savings accounts, flexible spending accounts and retirement accounts employers must take care to stop any contributions that would exceed IRS limits for 2026.
- **Taxes:** Tax withholdings should be applied for all 27/53 pay periods to ensure that the employer does not withhold too little.

WHAT EMPLOYERS SHOULD DO: Employers with bi-weekly or weekly payroll cycles should review the financial impact of paying an extra paycheck to salaried exempt employees and determine whether adjustments are needed. Review payroll deductions, benefit plans, and tax implications, then establish a plan for moving forward.

Please work with your Account Manager and Payroll Specialist to implement any changes. All changes, whether to pay, pay cycle, deductions, or contributions should be clearly communicated to employees in writing well in advance and in accordance with applicable federal and states laws.

If you have any questions, please contact your HR Business Partner/Consultant.