

HR Insights



Preparing for an Extra Bi-weekly Payroll Period in 2026



Employers use one of a few standard payroll cycles. While some follow a monthly or weekly period, most have a semi-monthly (twice per month) or bi-weekly (every other week) schedule. In fact, bi-weekly is one of the more common payroll cycles, with 43% of employers following this cadence, according to [a report](#) from the Bureau of Labor Statistics (BLS).

For employers that run bi-weekly payroll, 2026 introduces a unique scheduling challenge. Because Friday, Jan. 1, 2027, is a federal holiday, many employers that typically use a Friday pay date will need to shift that payday earlier in the week—placing it in 2026. As a result, under most payroll structures, Thursday, Dec. 31, is likely to become the final payday of 2026.

The cadence of 27 payroll dates happens slightly less than one time per decade (roughly once every 11 or 12 years) due to mismatching days (365 days per year and 14-day pay cycles) and an extra day for leap year happening every four years.

This extra payroll period can impact salaried employee requirements, benefits contributions and more, creating potential compliance and operational challenges. This article provides an overview of salaries, explores the implications of an additional bi-weekly payroll period, and offers strategies to prepare for it in 2026.

FLSA Salary Basis Requirement Overview

Salaried workers are paid a predetermined amount for each pay period. Under the federal Fair Labor Standards Act (FLSA), employees who are properly classified as exempt under the [executive, administrative and professional \(EAP\) exemptions](#) are not entitled to overtime pay.

Specifically, to qualify for exemption, employees generally must:

- Be paid on a salary basis
- Be paid a salary that meets the specified minimum amount per week (currently \$684)
- Meet certain duties tests

Some states impose higher salary thresholds or have unique exemption criteria that employers must also consider.

Being paid on a salary basis means the employee regularly receives a fixed amount of compensation each pay period, typically on a weekly or less frequent schedule. This amount cannot be reduced due to variations in the quality or quantity of work performed. With limited exceptions, exempt employees must receive their full salary for any week in which they perform any work, regardless of the number of days or hours worked.

An estimated 40%-45% of U.S. workers are salaried, according to the BLS. As a result, in 2026, an additional payroll period may have significant implications for employers—particularly regarding exempt-employee compensation, benefits calculations and overall compliance.

Impact on Payroll

A year with a potential extra pay period can create several payroll challenges, particularly for employers with salaried employees who must be paid a predetermined amount each pay period. This additional cycle can introduce both FLSA compliance issues and operational complexities.

The distinction between a 26-pay-period year and a 27-pay-period year often leads to mistakes that can affect employee compensation, benefits administration and overall payroll accuracy. Employers may inadvertently miscalculate salaries, exceed benefits contribution limits or misinterpret regulatory requirements.

Here are common mistakes, compliance requirements, and key factors employers should consider:

EAP Exemption Compliance

Under the FLSA, employees must maintain salary levels to remain exempt under EAP. In a year like 2026, where an additional pay period may occur, employers that simply divide annual salaries across 27 cycles instead of 26 may unintentionally reduce employees' weekly pay. This reduction can place employees below the minimum salary threshold required to maintain exempt status.

For example, consider an employee earning an annual salary of \$36,000. When paid bi-weekly across 26 pay periods, the employee receives \$1,384.62 per paycheck, equivalent to \$692.31 per week, which meets the current federal minimum salary level of \$684 per week. If the same salary is divided across 27 pay periods, bi-weekly pay drops to \$1,333.33, equal to \$666.67 per week—below the FLSA's salary threshold. In this scenario, the employee would no longer qualify as exempt.

This issue can also arise under state-specific exemption rules, many of which have salary thresholds higher than the federal minimum. Employers operating in those jurisdictions face an elevated risk of inadvertently misclassifying employees during a 27-pay-period year.

Notice Requirements

Before making adjustments to payroll, employers should check federal, state and local requirements for notifying employees before adjusting pay frequency or amounts.

Notably, some states have requirements on how notice for changes to payments should be handled. For example, both [California](#) and [New York](#) require advance notice before any payroll changes. In addition, states like Alaska, Maryland, Illinois and others have unique, state-specific rules.

Due to the patchwork of rules for both single-state and multistate, it's wise for employers to seek local legal counsel.

Tax Withholdings

Whether an employer has 26 or 27 payroll cycles, correct tax withholding calculations must be maintained across all pay periods. While IRS withholding tables typically accommodate this, employers are responsible for ensuring their payroll software is updated and properly configured for the extra period to prevent under-withholding.

Overpayment

Adding an extra payroll cycle is a common approach many employers take during a 27-pay-period year. However, doing so carries the risk of unintentionally overpaying salaried employees. Notably, issuing an additional paycheck increases annual payroll expenses—potentially by up to 3.85%—before factoring in the added cost of benefits contributions and related liabilities.

For example, consider a salaried employee earning \$70,200 annually. In a typical year with 26 pay periods, the employee receives \$2,700 per paycheck. If an employer instead issues 27 paychecks, the employee would receive a total of \$72,900, representing an unplanned increase of approximately 3.85%.

For large employers, this can translate into a substantial increase in total payroll spend. For smaller employers, even modest, unbudgeted payroll increases can create significant financial strain or disrupt annual budgeting assumptions.

Benefits Contributions

Employers make and allow for benefits contributions in cadence with their payroll. An extra payroll cycle can impact mandatory statutory deductions (taxes), health insurance, contributions to accounts like health savings accounts (HSAs) and flexible spending accounts (FSAs), voluntary benefits (e.g., dental and vision), retirement accounts (such as a 401k) and more.

Generally, even employers planning for 27 payroll cycles in 2026 complete benefits deductions for the first 26 paychecks. For example, some major employers like [Microsoft](#) have publicly stated that the last paycheck will not include benefit deductions.

This means that benefits deductions from the first 26 checks must be accurate to ensure compliance with annual obligations.

Common 2026 Payroll Strategies

Here are two major ways that employers with a bi-weekly payroll cadence are proceeding in 2026:

1. Pro-rated Adjustment

Under this formula, employers divide annual salary by 27 rather than 26. For example, an employee with a salary of \$70,200 would receive 27 equal paychecks of \$2,600 before payroll deductions such as benefits and taxes.

While this payroll method simplifies the year-long payroll process and helps to avoid overpayment, it lowers the bi-weekly payroll of employees. Workers would defer funds by receiving less take-home pay per paycheck, which would be distributed with the 27th paycheck on Dec. 31.

Under this method, reports show that most employers conclude benefits contributions after 26 pay cycles.

2. Pay Cycles as Usual

Under this structure, employers pay the normal amount for each of the 26 cycles, with a 27th cycle added on Dec. 31. This means employers will pay their salaried employees an extra 3.85% in 2026. This choice leads to an increase in total salary paid, especially for employers with large numbers of salaried workers. For example, an employee with a salary of \$70,200 would continue to receive 26 equal paychecks of \$2,700 before payroll deductions such as benefits and taxes.

Managing Payroll in 2026

Managing payroll in 2026 will require careful planning, particularly for employers with a bi-weekly payroll cadence. Whether your organization ultimately operates with 26 or 27 payroll cycles, proactive preparation is essential to maintaining compliance and preventing costly mistakes. Here are actions employers may consider during 2026:

- **Review your 2026 payroll calendar.** If your pay cycle is bi-weekly, review whether your organization plans to have 26 or 27 biweekly pay periods this year. If you issued paychecks on Friday, Jan. 2 (2026), your calendar will likely have 27 total pay dates, with the last one issued on Thursday, Dec. 31, before Jan. 1, 2027, which is a federal holiday.
- **Plan for benefits contributions.** Pay cycles are accompanied by payroll deductions for benefits, including health insurance, HSAs, FSAs, voluntary benefits and retirement accounts. Audit these deductions to ensure contributions meet employees' selection criteria and do not exceed annual limits.
- **Budget appropriately.** If your organization will run an extra payroll this year, the added cycle can affect overall spending. Assess how the additional payroll impacts your budget, balance sheet and cash flow, and adjust financial plans accordingly.
- **Avoid making fast changes.** Employers should note that changing between 26 and 27 cycles midyear can open up potential issues with both employee relations and compliance.
- **Communicate with employees.** While the unique 2026 pay cycle may not be top of mind for most employees, it will still affect their pay and benefits. Proactively explain how the schedule may impact paycheck amounts, timing and benefits contributions so employees know what to expect.
- **Check with your payroll provider.** Many major payroll providers have established processes to address the complexities of a 27-pay-period year. However, even employers with well-automated systems should confirm that all necessary compliance, configuration and operational steps are in place to avoid errors.

Summary

In 2026, an extra bi-weekly payroll period presents both operational and compliance challenges for employers. While many payroll vendors and platforms help your organization stay organized, it may be better to audit your payroll than make mistakes that impact employees or violate compliance requirements. Employers should consider seeking local legal counsel to ensure their payroll practices are in compliance with all applicable laws and regulations.

Contact us today for more resources.

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