



2016 Payroll Fact Sheet

Take the Leap: How Does a 366-Day Year Affect Payroll?



Is it possible to have two leap years back to back? For HR and payroll professionals, the answer is yes with two anomalous payroll years in a row. With 27 pay periods in 2015 and 366 days in 2016, employers should review their payroll and employment tax practices, and communicate with employees about any potential impact to their paychecks.

Most employers have already decided how they'll address the extra pay period occurring in 2015, but some employees could still have questions. While some employers will divide a salaried employee's yearly payment total by one extra period (for example: a worker's typical salary would be divided between 27 bi-weekly payments as opposed to the usual 26), others may elect to pay their employees for an extra pay period at their regular rate of pay.[1] An unchanged yearly payment stretched over an extra pay period will help keep payroll costs stable, but it means that employees will see lower payments each period than they may have expected. On the other hand, one extra paycheck at the usual rate means a plus for employees, but it also increases payroll totals on the year.

Just as HR professionals put the irregularity of 2015 behind them, 2016 will bring a calendar leap year and yet another payroll quandary. Employers will need to make sure they're complying with any payroll tax implications of the unusual payroll year. With leap day falling on Monday, February 29, 2016, many salaried workers may wonder how their compensation will be affected and ask, "Is the company getting an extra day of work for free?" "TODAY" addressed this question during the last leap year in 2012; it turns out the answer depends on your current pay practices. A typical year has 52 weeks plus one day, but a leap year has 52 weeks plus two days. That extra day could mean another paycheck for employees if it falls on a designated payday in your payroll system.[2] For businesses using accrual accounting systems, the extra day could be built in to the yearly total, and for hourly workers, it will mean an additional opportunity to log hours. Discussing how your business will account for the leap year with your workers can help reduce confusion.

No matter your payroll structure, be ready to explain the implications of a leap year with any concerned employees and make sure your employment tax processing accounts for any changes your payroll team makes for 2016.

[1] "Payroll 'leap year' Will Boost Coffers for Workers," <http://www.reuters.com/article/2015/01/08/us-jobs-payroll-27thpaycheck-idUSKBN0KH1XI20150108>

[2] "It's Leap Day! You May Be Working for Free," <http://www.today.com/money/its-leap-day-you-may-be-working-free-258439>