Year-End Bonus & Business Gift Checklist 2026

Companion to the Holiday Bonus Gross-Up Calculator 2026 workbook

Before you pay a bonus

- ☐ Decide what you promised: a take-home amount (use the gross-up calculator) or a gross amount.
- ☐ Check each employee's 2026 wages so far: Social Security stops at $184,500 and 0.9% Additional Medicare Tax is withheld on wages over $200,000.
- ☐ Look up your state (and local) supplemental withholding rate.
- ☐ Pay the bonus through payroll with a pay stub, not as a cash gift or on a Form 1099.
- ☐ Want it in 2026 wages? Pay it by your last 2026 payroll. Wages count in the year paid.
- ☐ Cash and gift cards given to employees are wages: add them to payroll.

Business gifts

- ☐ Clients and vendors: the gift deduction is limited to $25 per person per year. Packaging and shipping are generally not counted toward the $25.
- ☐ Keep the receipt plus the date, recipient, business reason and cost (Gift Log tab).
- ☐ Small non-cash items for employees (a holiday ham, a mug) may be tax-free de minimis benefits. Confirm with your tax professional.

After year-end (federal)

- ☐ Feb 1, 2027: Form W-2 to employees; Copy A with Form W-3 to SSA (Jan 31 is a Sunday).
- ☐ Feb 1, 2027: Form 941 for Q4 2026 and Form 940 for 2026 (Feb 10 if all deposits were made on time).
- ☐ Keep payroll and gift records for at least 4 years.

2026 federal numbers used in the workbook

Supplemental wage flat rate (optional method)	**22%**
Supplemental wages over $1 million (mandatory)	**37%**
Social Security: rate / wage base	**6.2% / $184,500**
Medicare / Additional Medicare over $200,000	**1.45% / 0.9%**
FUTA net rate / wage base	**0.6% / $7,000**
Business gift deduction per person per year	**$25**

EXAMPLE (illustration only): take-home target $1,000, 2026 wages before the bonus $50,000, state rate 5% → gross bonus $1,530.22; withholding $530.22; employer cost $1,647.28 (SUTA and FUTA wage bases already met). Your numbers will differ.

Not tax, legal or payroll advice. General information based on IRS Publications 15, 15-B and 926 (2026), Publication 463 and SSA figures; rules and state requirements vary. Confirm with a qualified tax professional. This checklist never asks for SSNs, bank account numbers or passwords. Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience. Personal use only.