ScorpConvert TM

FREE 2026 RESOURCE

First Year S Corp Payroll Readiness Checklist

Put the election, owner pay, tax deposits, quarterly filings, and year end records in the right order before payroll becomes an emergency.

USE BEFORE	SHARE WITH	KEEP WITH
The first owner paycheck	Payroll and bookkeeping	Tax year workpapers

Before the first paycheck

- ☐ Confirm the intended S corporation effective date and the Form 2553 filing path.
- ☐ Verify the business legal name, EIN, bank account, and state employer registrations.
- ☐ Document the owner's duties, time, experience, location, and comparable pay.
- ☐ Choose the first paycheck date, pay frequency, and cash reserve for payroll taxes.
- ☐ Assign who will reconcile payroll, tax deposits, Forms 941, W-2, W-3, and Form 1120-S.

How to use this checklist

Work in order. Name the person responsible for each open item, set a due date, and retain the listed records. A checked box means the underlying action is complete and the proof is in the file.

This checklist is educational. It does not determine eligibility, reasonable compensation, state obligations, or tax savings for a specific business.

The five phase readiness rail

Complete the federal election path and owner compensation analysis before treating payroll as routine administration.

01 Confirm that the election can work before payroll begins

- [ ] Confirm the entity is domestic, has allowable shareholders, has 100 or fewer shareholders, and has one class of stock.
- [ ] Confirm every required shareholder consent and the intended effective date before filing Form 2553.
- [ ] Keep the filed election, delivery proof, and every IRS acceptance or follow up notice together.
- [ ] If the filing window was missed, evaluate Rev. Proc. 2013-30 instead of assuming relief is automatic.
- [ ] Check whether the state follows the federal election or requires another filing, return, registration, or payment.

KEEP: Form 2553, shareholder consents, delivery proof, IRS notice, state election checklist

02 Document reasonable compensation before nonwage distributions

- [ ] Write down the owner's services, responsibilities, hours, training, experience, and work location.
- [ ] Separate revenue produced by the owner's services from revenue produced by employees, equipment, or capital.
- [ ] Compare the role with credible wage data and document each adjustment to the selected pay range.
- [ ] Approve a pay frequency and annual compensation plan the business can follow consistently.
- [ ] Revisit the analysis when duties, hours, revenue mix, staffing, or location materially changes.

KEEP: Signed compensation memo, wage sources, duty summary, time assumptions, approval record

03 Activate payroll accounts and tax controls before the first paycheck

- [ ] Confirm the exact legal name and EIN payroll will use on federal and state filings.
- [ ] Complete required federal and state employer registrations before wages are paid.
- [ ] Complete hiring and withholding records, including Form W-4 and Form I-9 when applicable.
- [ ] Confirm the federal deposit schedule, electronic payment access, and state deposit schedule.
- [ ] Authorize the payroll bank account and name the person who will review each tax debit and filing confirmation.

KEEP: EIN confirmation, state account numbers, payroll agreement, authorizations, deposit schedule

Quarterly control and year end close

Keep payroll, tax deposits, filed returns, and the general ledger aligned before the Form 1120-S is prepared.

04 Run payroll, make deposits, and reconcile every quarter

- [ ] Review every payroll register for gross wages, withholding, employer taxes, deductions, and net pay.
- [ ] Make federal and state deposits on the schedule assigned to the business. The Form 941 filing date is not the payroll tax deposit date.
- [ ] File Form 941 for the first wage quarter and each later quarter unless the IRS authorizes another filing requirement.
- [ ] Reconcile quarterly wages and tax liabilities to the general ledger and deposit confirmations.
- [ ] Investigate rejected filings, returned debits, or payroll notices before the next quarter closes.

KEEP: Payroll registers, deposit confirmations, filed Forms 941, state returns, reconciliation workpapers

05 Close payroll cleanly before the income tax return is prepared

- [ ] Complete the final payroll and confirm annual owner wages match the documented plan or explain the change.
- [ ] Review greater than 2 percent shareholder health insurance for proper corporate payment or reimbursement and W-2 reporting.
- [ ] Reconcile Form W-3 totals to the year's Forms 941 and the payroll expense recorded in the books.
- [ ] Furnish and file Forms W-2 and W-3 by the applicable January deadline and file Form 940 when required.
- [ ] Save final payroll reports, acceptance confirmations, notices, and year end adjustments with the Form 1120-S workpapers.

KEEP: Final payroll register, W-2 and W-3 acceptance, Form 940, fringe benefit support, annual reconciliation

Official sources

S corporation requirements

Form 2553 instructions

Reasonable compensation and shareholder health insurance

Publication 15 for 2026

Form 941 instructions for 2026

Late election relief

NEXT STEP Screen election timing, eligibility, payroll readiness, and planning gaps at scorpconvert.com/eligibility-checker.

Sources reviewed 20 August 2026. State and local obligations change separately. ScorpConvert is not affiliated with or endorsed by the IRS.