2020 Leap Year Highlights

Even in nonleap years, some employees end up with an extra paycheck

(Courtesy: SHRM 2019)

While February typically has 28 days, in leap years—such as the forthcoming 2020—it sprouts a 29th. That can be a headache for HR and payroll professionals—resulting in an extra payday in the calendar year, depending on when and how employees are paid.

The problem of an extra pay period isn't exclusive to leap years. However, it's during leap years that more employers encounter an extra pay period.

Even in years without an extra day in February, there is the potential for additional paydays if the payroll is weekly or biweekly (every other week) simply because 365 days do not divide evenly into the seven days of the week.

In any year with 365 days, there will be six days of the week that occur 52 times and one day of the week that occurs 53 times, he explained. In a leap year, with 366 days, there will be five days of the week that occur 52 times and two days of the week that occur 53 times.

Day	2019	2020
Sunday	52	52
Monday	52	52
Tuesday	**53**	52
Wednesday	52	**53**
Thursday	52	**53**
Friday	52	52
Saturday	52	52
Total Days	**365**	**366**

So if an employer had a policy, for example, where it paid salaried employees weekly every Tuesday, in 2019, a nonleap year, it would have had 53 paydays because Jan. 1 and Dec. 31 both fall on Tuesdays. That same employer would have 52 paydays in 2020, which is a leap year.

For those years when an employer finds itself with 53 or 27 paydays, there are two general options:

- **Do nothing and pay the same amount for each payday, recognizing one extra paycheck in the year.** According to SHRM surveys, 80% of employers take this approach.

- **Divide annual salaries by 53 or 27 paydays.** This will result in smaller employee checks each payday, countered by an extra paycheck at year's end. For instance, if a salaried employee is paid $52,000 a year, an employer can recalculate the per-paycheck amount so it ends up working out to be $52,000 over 27 paychecks every other week instead of 26 paychecks.

Inform Employees

- Adding an extra paycheck requires prorating each paycheck downward during the year, which could negatively affect morale. That's why in years with an extra pay period it's important to inform employees that their annual salary will come out the same despite slightly smaller paychecks for each pay period.

Payroll Deductions

- In a year with an additional payroll period, consider the effect on payroll deductions and special wage payments, according to a guide on planning for additional paydays from consultancy PwC. For instance, health plan premium contributions should, if necessary, "either be adjusted to take into account the additional period or suppressed in the additional payroll period," PwC advised. A similar consideration applies to special wage payments that are based on 26/52 payroll periods, such as child support payments garnished from an employee's wages.
- Employees should also understand how an extra pay period could affect benefit contributions to 401(k) plans, health savings accounts (HSAs) and flexible savings accounts (FSAs). Inform employees that an extra pay period could affect how much they wish to defer from each paycheck into their 401(k), HSA or FSA, Trabold advised. For employees who plan to fund these accounts to their maximum annual levels, an extra pay period will affect how much per paycheck they will need to contribute to reach those limits at year's end.

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