



The State of AI and Technology in American Payroll

How payroll teams are using AI today and
what they expect next

Based on original survey data from payroll
professionals across the United States

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About this report

Zoho Payroll publishes original, fact-based research on the operating realities of payroll and adjacent business functions. The goal is to give professionals, practitioners, and decision-makers a clear, current picture of how teams work today, what they are trying to change, and what they expect from technology next.

This report covers four areas:

- 1. How payroll is run in US organizations:** The platforms in use, the cadence, the reporting lines, and the multi-state complexity teams now contend with.
- 2. The fragmentation tax:** How payroll connects (or does not) to accounting, benefits, and expense systems, and what that costs in cycle time.
- 3. The AI adoption gap:** Where AI sits in payroll today, who is moving, who is stuck, and why.
- 4. What teams want next:** The AI capabilities that would move the needle now, and the forces respondents expect to reshape payroll over the next three years.

Editorial independence

This research is independent. No respondent or sponsor influenced the survey design, the analysis, or the conclusions. Where we share a Zoho perspective, we mark it explicitly as such and separate it from the findings.

About Zoho Payroll

Zoho Payroll is an AI-powered platform built for organizations that need to run accurate, compliant, and on-time payroll without the complexity. It operates across nine countries, with each edition designed around local statutory requirements.

In the United States, that means automated federal, state, and local tax filings across all 50 states, flexible pay schedules, and full support for regular, off-cycle, bonus, and multi-state payroll runs.

For employees, a self-service portal and mobile app give direct access to pay stubs, tax documents, and time-off balances.

The platform sits inside the Zoho Finance suite, which includes Zoho Books for accounting and Zoho Expense for expense management — the same integration gaps this report identifies as the most consequential friction points in payroll operations today.

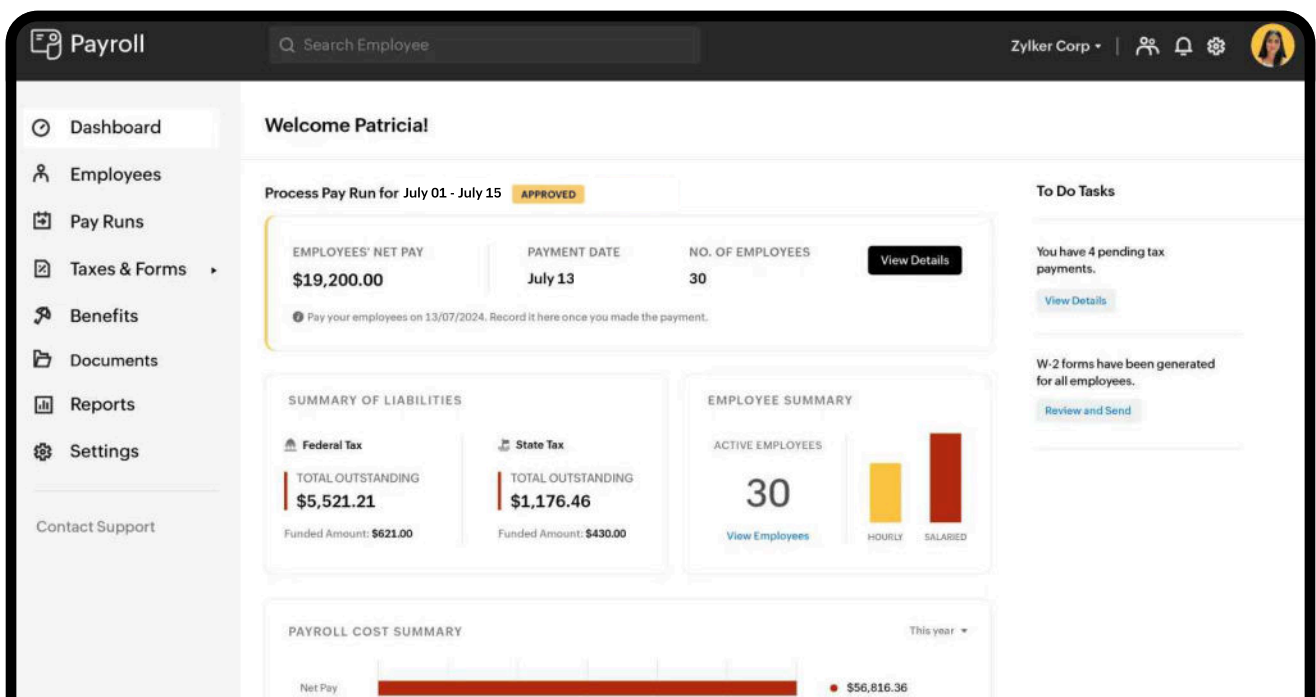


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At a glance

- US payroll is large, multi-state, and finance-led. 45% of respondents work at organizations with 2,000+ employees; 57% operate in 16 or more states, and 46% of payroll teams report into Finance leadership.
- The market is concentrated, but tool sprawl is real. 17% of teams use four or more tools to complete a single pay run.
- Just 7% of teams say AI is central to their payroll process. 44% have not brought AI into payroll at all. Another 20% have experimented but nothing has stuck.
- The top blocker is understanding, not technology. 30% of non-adopters cite "lack of understanding of how it helps in payroll" as the main reason, ahead of security (21%), accuracy (18%), or cost (9%).
- Preventing payroll errors is the top AI priority for teams today. About 66% of respondents say "automatically catching errors before payroll runs" is their biggest immediate need. Real-time compliance updates for federal and state tax laws comes next at 36%.
- The 3-year outlook tilts toward compliance, integration, and Agentic AI. 43% expect AI-powered compliance to be the biggest force on payroll by 2029. Agentic AI running entire pay cycles comes in at 30%; full payroll-benefits-finance integration at 29%

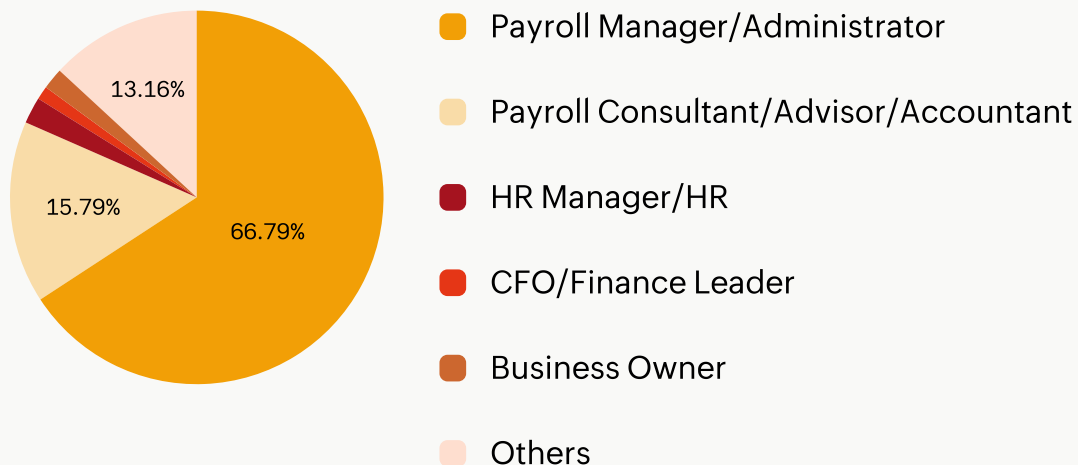
Methodology and respondent profile

This report is based on a survey of US-based payroll professionals conducted in May 2026. The instrument consisted of sixteen questions: six describing the respondent and their organization, six describing how their payroll operation is structured, and four focused on AI and the 3-year outlook for the function.

Sample sizes for individual exhibits are noted on each chart. Where percentages are reported for a specific question, they are calculated as:

$(\text{Number of respondents selecting that option}) \div (\text{Number of respondents who answered that question}) \times 100.$

What best describes your role?



66% of respondents describe themselves as Payroll Managers or Administrators. 16% identify as Payroll Consultants, Advisors, or Accountants. The remaining respondents include HR Managers, CFOs, business owners, and other operational roles. All respondents work in US-based organizations.

Two questions in the survey allowed respondents to select multiple options: the question on AI capabilities with immediate impact (top two) and the question on biggest 3-year forces on payroll (top three). For these questions, percentages reported in this report represent the share of respondents who selected each option; percentages therefore sum to more than one hundred.

This is a sample of payroll professionals who chose to respond. It is not a statistically weighted census of the US payroll market. The sample skews toward larger, multi-state employers; readers should weight conclusions accordingly. We have flagged sample sizes throughout the report so readers can judge confidence for themselves.

Acknowledgments

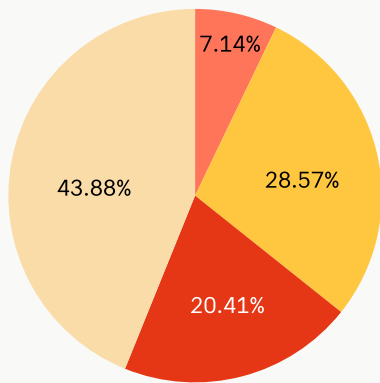
Thank you to the payroll professionals who took the time to answer this survey. Their candor about what is working, what is not, and what they hope comes next is the foundation of every finding in this report.

The headline finding

Gap between people, payroll, and agents

Across the payroll professionals surveyed, just seven percent say AI is central to their payroll process. Most either haven't started or have tried and stalled. The rest of this report unpacks why and what teams expect to change.

How would you describe AI's role in your payroll process today?



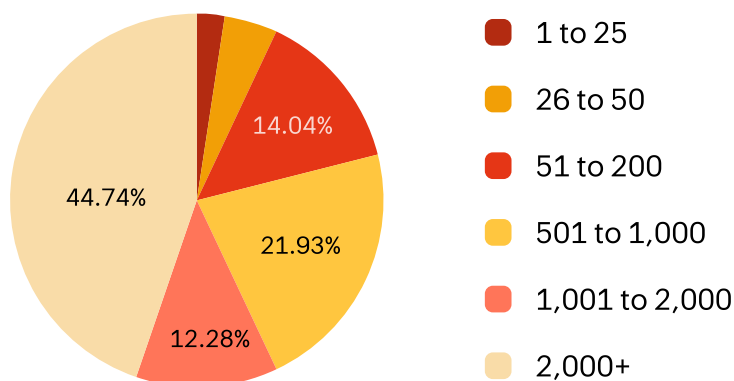
- Central - AI is driving most of our payroll process
- Present - we use it in a few specific areas
- Experimental - we've tried things but nothing has stuck
- Absent - we haven't brought AI into payroll yet

The shape of American payroll today

Before asking how AI is reshaping payroll, it is worth understanding what payroll looks like in practice.

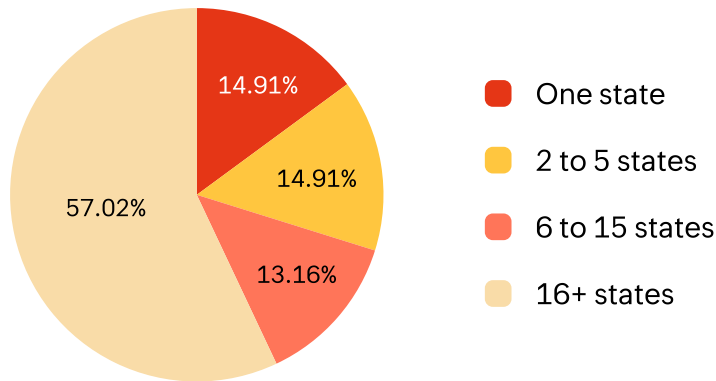
- First, the survey is anchored in large employers. 45% of respondents work at organizations with 2,000 or more employees; another 34% fall in the 501 to 2,000 range. Only 7% represent organizations under fifty employees. The picture this report paints, in other words, is the picture of payroll at scale.

How many employees does your organization currently have?



- Second, multi-state payroll is the norm. More than half of respondents (57%) run payroll across 16 or more states, while only 15% operate in a single state. Managing payroll at this scale means navigating different tax codes, filing schedules, and requirements for unemployment insurance and withholding. This complexity forms the operational backdrop against which any conversation about AI in payroll takes place.

How many states does your organization run payroll in?



- Third, payroll predominantly reports into Finance. 46% of payroll teams report to the CFO or Finance leadership; another 12% operate in a shared model between Finance and HR. 27% report to HR.

Who does your payroll team report to?



The fragmentation tax

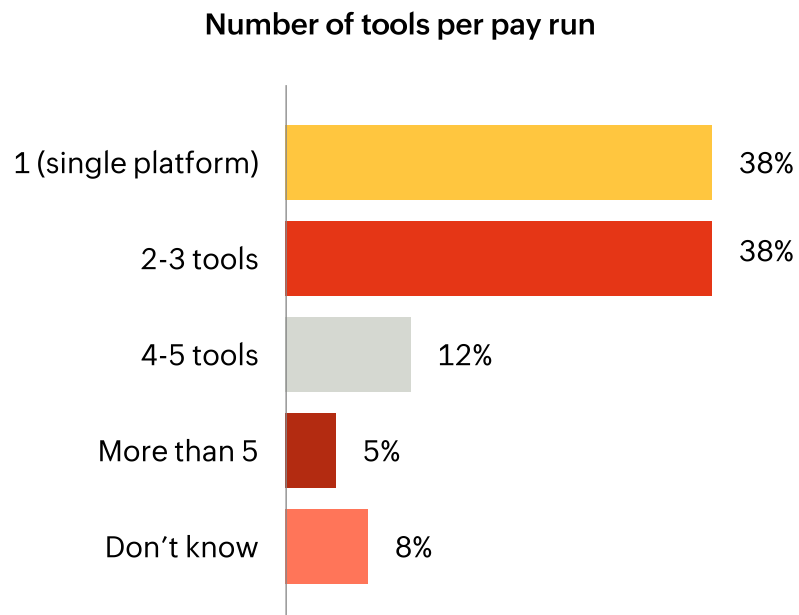
Payroll rarely happens in one place. Even on a modern platform, a single pay run connects to time-tracking systems, accounting general ledgers, expense reimbursement tools, and tax filing services. The number of separate tools a team touches to complete that run is a useful proxy for how integrated or fragmented the function actually is, and the data suggests fragmentation is the norm, not the exception.

In this sample, 38% of teams complete a pay run within a single platform. Another 38% use two to three tools. 12% stretch across four to five, and 5% use more than five. Strikingly, 8% of respondents could not say how many tools their team uses at all.

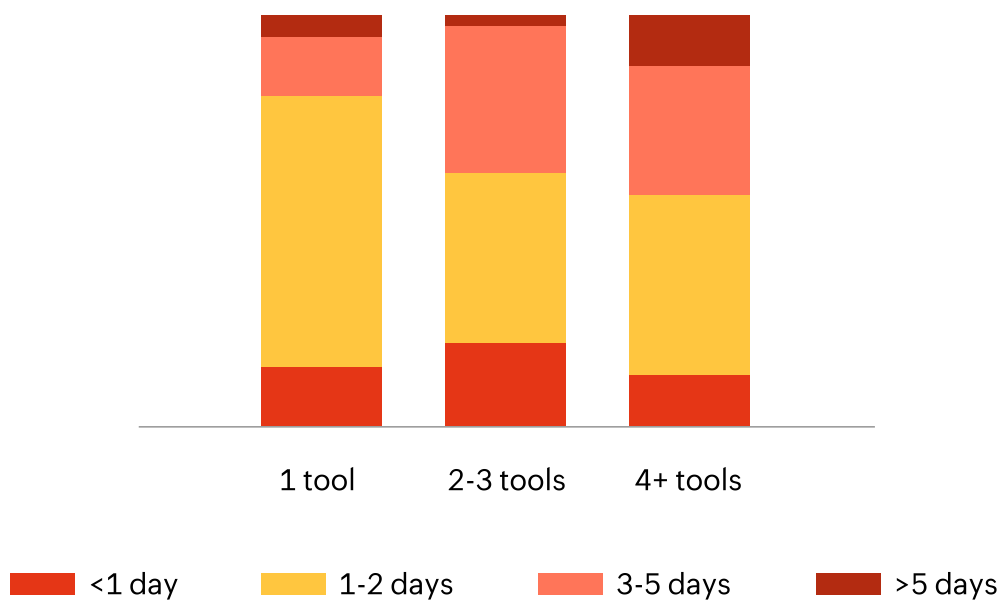
68% of single-platform teams finish a complete pay cycle in two days.

Tool sprawl correlates with longer cycle times. Among teams running on a single platform, 68% finish a full pay cycle (from calculating paychecks to posting journal entries) in one to two days. Among teams using four or more tools, that share drops to 44%, while the proportion of three-to-five-day or longer cycles rises sharply. The relationship is not perfectly linear, but the direction is clear: the more places payroll has to stop along the way, the longer it takes to finish.

Tool sprawl correlated with longer cycle times



Time to close one full payroll cycle



Three handoffs, three integration realities

Tool count tells us how many systems are in play; the more telling question is how cleanly payroll hands off to its closest neighbours: accounting, expense reimbursement, and benefits.

36% of teams move payroll data into accounting by having someone export a file and import it on the other end. Two modern systems. One manual step between them.

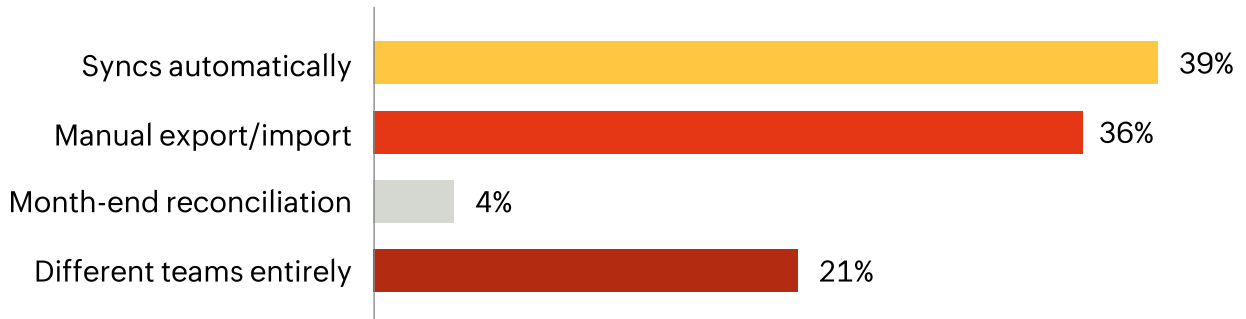
Accounting handoff is roughly half-manual. 39% of teams say payroll syncs automatically into their accounting system. But 36% describe the process as "someone exports a file and imports it manually," and another 21% run payroll and accounting on entirely separate teams; meaning the handoff happens across an organizational boundary, not just a system one.

Expense reimbursement is mostly disconnected. Half of respondents (51%) reimburse employee expenses through a completely separate system. Only 31% process expenses on the same platform as payroll, and another 12% handle them separately but reimburse via payroll. 7% have no formal process at all.

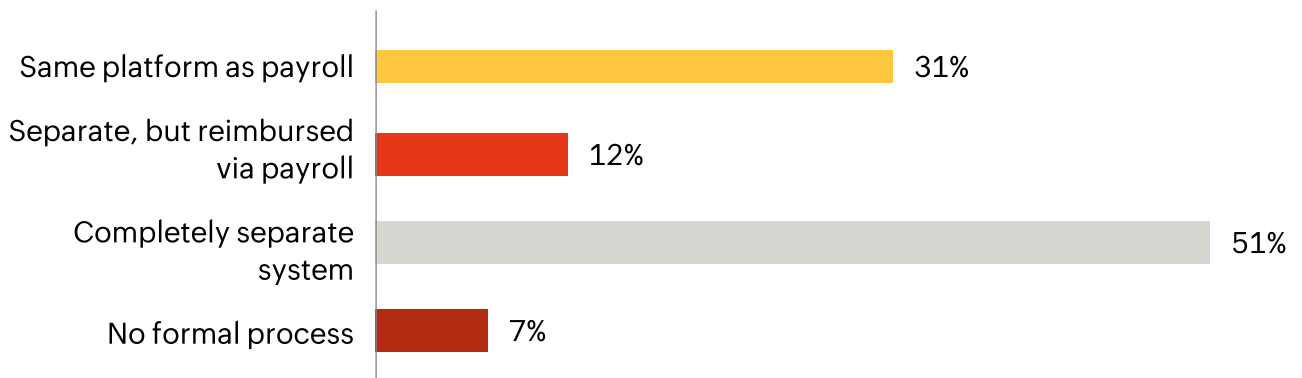
Benefits, by contrast, are more often integrated. 56% of teams say payroll and benefits run on the same platform. Another 29% have partial overlap. Only 13% describe them as completely separate.

Payroll touches three adjacent systems - each integrated to a different degree

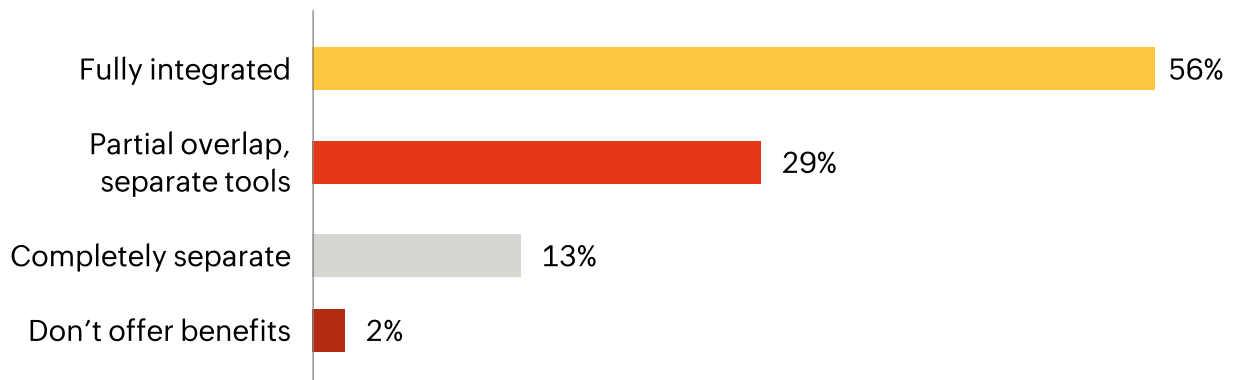
Payroll → accounting handoff



Expense reimbursement



Payroll + benefits integration



AI in payroll: a real adoption gap

Operational fragmentation is the backdrop. The question this report set out to answer is what teams are doing about AI on top of it. The honest answer, in early 2026: not very much, yet.

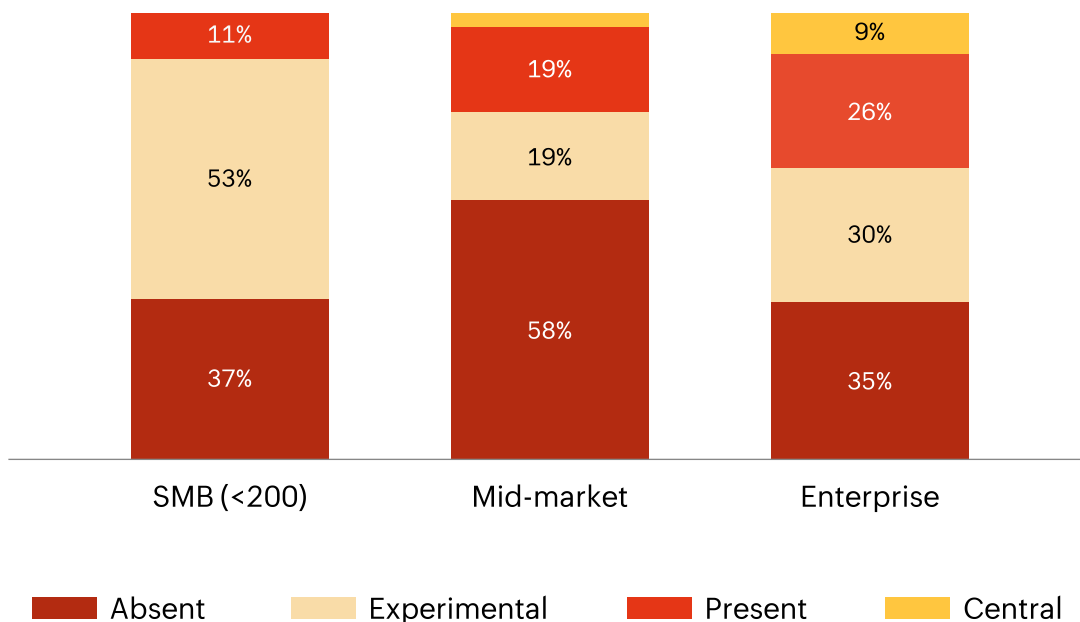
Asked to describe AI's current role in their payroll process, the largest group of respondents (44%) say it is absent. They have not brought AI into payroll at all. Another 20% describe their use as experimental. Things have been tried, but nothing has stuck. 29% say AI is present in a few specific areas. Only 7% say it is central to their payroll process.

In aggregate, slightly more than half (56%) of teams have at least experimented with AI in payroll. But the share doing so meaningfully (Present or Central) is just 36% of respondents.

The gap between the intent to use AI and actual execution is wide, and even wider in mid-market firms.

This pattern is not uniform across organization sizes. Mid-market firms, those with 501 to 2,000 employees are the most stuck: 58% of mid-market respondents say AI is absent from their payroll process, and only 3% describe it as central. Enterprise (2,000+ employee) firms show a more balanced distribution: 35% absent, but 35% in either Present or Central state. SMBs (under 200 employees) are at the high end of "Present" (53%), possibly reflecting the fact that newer all-in-one payroll platforms release AI features by default to smaller customers.

AI's role in payroll today, by organization size



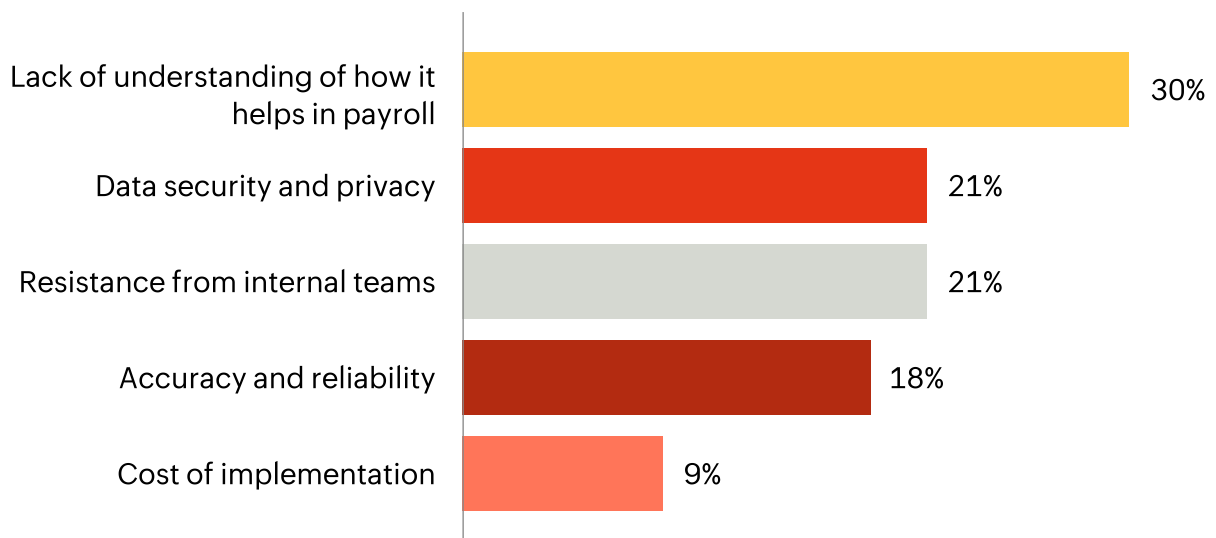
The blocker is understanding, not technology

We asked respondents who are not yet using AI what is holding them back. Despite the volume of AI messaging in the payroll industry, the biggest barrier is not cost, security, or accuracy. It is a lack of education and understanding.

30% of non-adopters cite "lack of understanding of how it helps in payroll" as the main reason for not having brought AI into the function. Data security and privacy (21%) and resistance from internal teams tie for second. Accuracy and reliability concerns rank fourth (18%). Cost, often assumed to be the dominant friction, is dead last, at nine percent.

Most teams are not stuck because the technology is too expensive or too risky. They are stuck because they have not been shown a credible, payroll-specific use case that moves the needle for their team. That is a different problem than a price problem and it points to a different kind of fix.

Top reason for not using AI in payroll



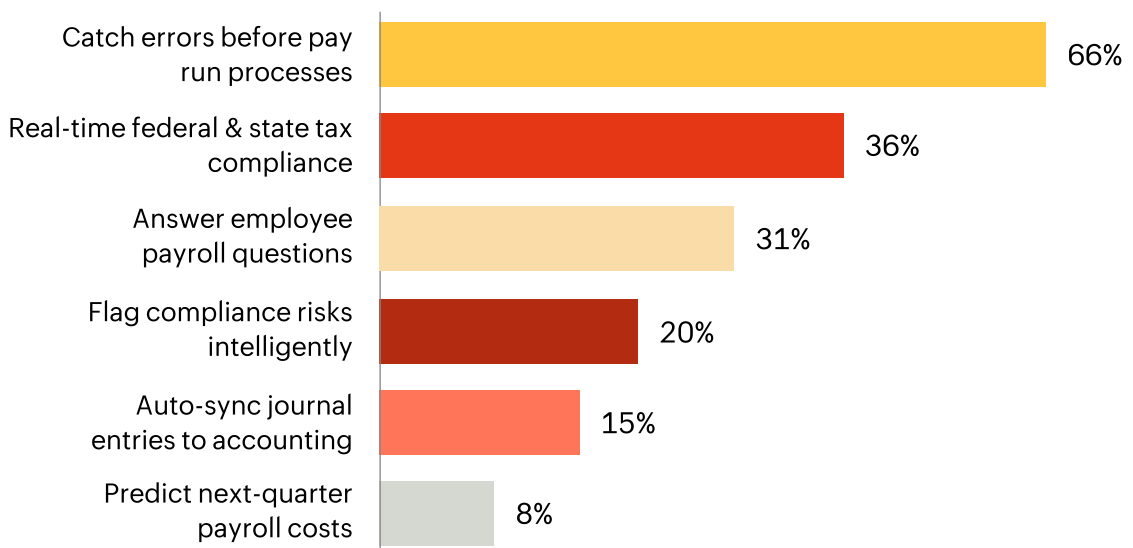
What payroll teams want next

We asked respondents two questions: which AI capabilities would have the most immediate impact on their team today, and which would have the biggest impact on payroll over the next three years.

The most-wanted AI capability today is error prevention. 66% of respondents pick "automatically catching errors before a pay run processes" as their immediate priority. The runner-up, real-time compliance updates across federal and state tax laws, lands at 36%. Employee-facing AI (answering payroll questions without admin involvement) takes third at 31%.

Two things are worth noting about this ranking. First, the top two priorities are both about reducing risk, not adding new functionality. Teams want AI to catch what could go wrong before it does, and to keep them ahead of regulation. Second, predictive analytics, often a headline category in vendor marketing, lands near the bottom at just eight percent.

AI capabilities with the most immediate impact



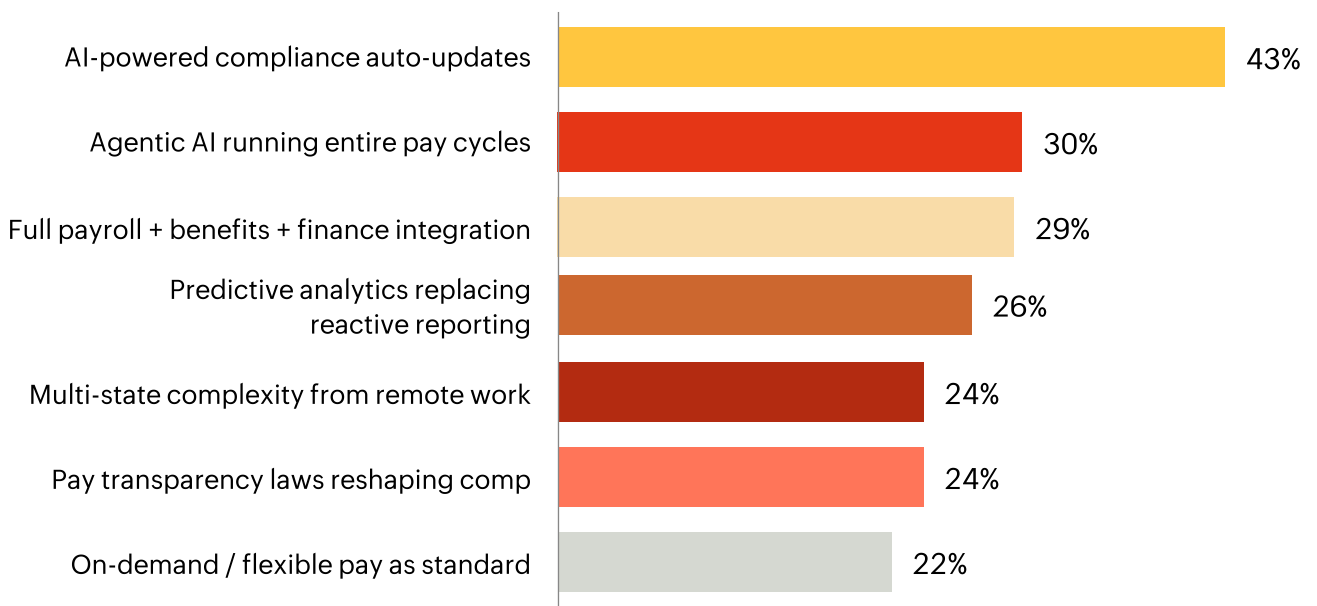
The 3-year outlook: Compliance, integration, and agentic AI

When the time horizon stretches to three years, the picture shifts.

Compliance automation remains the top expectation. 43% of respondents pick "AI-powered compliance that updates automatically with new tax laws" as one of the three biggest forces shaping payroll by 2029. But two other themes climb significantly: Agentic AI running entire pay cycles (30%) and full integration of payroll, benefits, and finance on one platform (29%).

Together, these three predictions sketch a coherent future: automated compliance, end-to-end AI orchestration, and a single, unified platform.

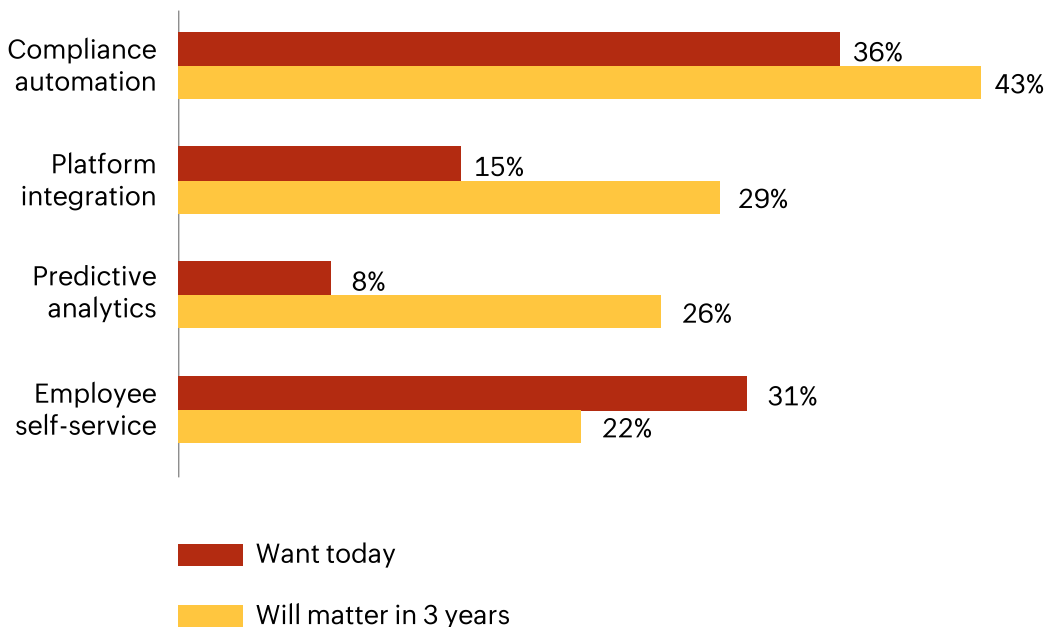
Biggest impact on payroll in the next 3 years



Today and tomorrow, side by side

Comparing the today and tomorrow rankings side by side shows where teams expect their priorities to mature. Compliance automation goes from 36% (today) to 43% (3 years). Platform integration roughly doubles (15% → 29%). Predictive analytics nearly triples (8% → 26%). Only employee self-service softens slightly (31% → 22%), suggesting it is closer to a near-term win than a defining long-term theme.

Teams expect tomorrow's payroll to be more compliance-driven and integrated



Payroll's AI moment will be quiet, not loud

Three findings, taken together, define the current state of payroll in America.

One: Payroll operations are often more fragmented than market share figures suggest. Many teams still use multiple tools to run payroll, with accounting and expense data frequently moved between systems manually.

Two: AI adoption is real but uneven, and the limiting factor is understanding. 44% of teams have not started. The top blocker, by a wide margin, is the absence of a credible, payroll-specific story about what AI is actually for. That is a communication problem as much as a product problem.

Three: When teams know what they want from AI, their priorities are clear. Two-thirds of respondents ranked error prevention as their top immediate need, followed by real-time compliance support. Looking ahead three years, they expect AI to automate compliance, orchestrate entire payroll cycles, and connect payroll, benefits, and finance on a single platform. These aren't flashy capabilities. They are the unglamorous parts of payroll done better.

A ZOHO PERSPECTIVE

Why we believe this matters

Zoho builds and sells business software across the world. We have an obvious interest in the conclusions of this research centered on the payroll industry. We have kept that interest out of the data, the analysis, and the chapters above. This section, by contrast, is explicitly our point of view on what the findings mean and why we think they matter for the next wave of payroll technology.

Three takeaways shape how we think about building

- The product opportunity in payroll AI is risk reduction, not generation. Two-thirds of respondents want AI to catch errors before pay runs process. More than a third want real-time tax compliance. Far fewer want predictive analytics or AI-generated forecasts. The signal is clear: payroll teams want fewer mistakes, fewer surprises, and fewer compliance fires. AI in payroll, done well, will mostly be invisible.
- Integration is the unlock, not the feature. Cycle times rise sharply when teams use four or more tools. Half of teams reimburse expenses on a system completely separate from payroll. More than a third still hand data off to accounting manually. AI that lives inside a single integrated platform (payroll, benefits, expenses, accounting) removes the seams where errors happen in the first place. That is the work Zoho Payroll is built to do as part of the broader Zoho Finance suite.
- Education is the gating function for adoption. The biggest barrier to AI in payroll is teams not knowing what it would do for them. That is partly on vendors to fix. Marketing AI as a horizontal capability does not move adoption. Showing payroll teams specific moments in their week where AI catches something a human would miss, and showing it in a workflow they already use, is what does.

Glossary

- **Agentic AI**- AI systems that take multi-step actions on a user's behalf with limited human oversight. In a payroll context: an AI that could run a complete pay cycle end-to-end.
- **AI fluency**- The practical ability to use AI in day-to-day work: integrating AI tools into workflows, interpreting outputs, and applying judgment. Distinct from technical AI engineering skills.
- **Cycle time**- The time required to complete a single full payroll cycle, from calculating paychecks through posting journal entries.
- **Pay run**- A single execution of payroll — the process of calculating, approving, and disbursing wages for a defined period.
- **Pay cadence / pay frequency**- How often payroll runs. Common cadences are weekly, bi-weekly, semi-monthly, and monthly.
- **Payroll-to-accounting handoff**- The process of moving payroll data — wages, deductions, employer contributions — into the organization's general ledger.
- **PEO (Professional Employer Organization)**- A firm that contracts with an employer to share or assume employment responsibilities, including payroll, benefits, and compliance.
- **Tool count**- The number of separate software tools a payroll team touches to complete a single pay run, as self-reported by respondents.

Learn more about Zoho Payroll



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